



TEXAS TECH UNIVERSITY SYSTEM™



# Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2019

Kimberly F. Turner, CPA

*Chief Audit Executive*

*October 31, 2019*

# Transmittal Letter

October 31, 2019

Mr. Ronnie Hammonds  
Chair, Board of Regents Audit Committee  
Texas Tech University System

Dear Mr. Hammonds:

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, 2019. 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, 2019, we issued 67 reports related to various engagements, and the results of our work have been communicated to the Board of Regents through the Audit Committee and to the administration.

For further information about the contents of this report or any engagement report mentioned herein, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kim F. Turner".

Kimberly F. Turner, CPA  
Chief Audit Executive

Copies: Texas Tech Board of Regents Audit Committee  
Chancellor Tedd Mitchell  
Legislative Budget Board  
Office of the Governor  
State Auditor's Office

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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 2019

The annual audit plan for Texas Tech University System for the year ended August 31, 2019, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 9, 2018. There were 55 planned engagements included in the annual plan and 11 engagements were added during the year.

Of the planned engagements, 45 were completed, 17 were in progress at year-end, 1 was carried forward to fiscal year 2020, and 3 were cancelled. The audit carried forward to the fiscal year 2020 annual plan was the TTUHSC El Paso GE Centricity EMR Application Controls. The cancelled projects were TTUHSC Department of Ophthalmology EyeDoc Express Application Controls, TTUHSC Office of Strategic Initiatives Revenue Cycle Unit, and TTUHSC School of Medicine – Permian Basin. The cancelled Ophthalmology project was replaced with an added management advisory project involving a new electronic medical record system implementation in that department. The TTUHSC Office of Strategic Initiatives project was a management advisory engagement that was cancelled because of management turnover in that department. Finally, the TTUHSC School of Medicine – Permian Basin project was cancelled because several audits involving the Permian Basin campus were conducted during the past year.

The 17 planned audits that were in progress at year-end and their current status are as follows:

## **Texas Tech University System**

Office of Investments – Reporting

Security Camera Policies – Complete

Office of Institutional Advancement – Red Raider Club – Draft Report Issued

IT Risk Assessment Framework – Fieldwork

Risk Management Assessment - Reporting

## **Texas Tech University**

Certified Rehabilitation Cost Report – Admin Building – Reporting

College of Education – Complete

Research Safety Governance – Draft Report Issued

Costa Rica Campus – Complete

Student Success and Retention – Reporting

## **Texas Tech University Health Sciences Center**

Department of Ophthalmology EMR Migration and Implementation Review – Fieldwork

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

Paul L. Foster School of Medicine Department Cash Controls – Complete

Office of Sponsored Programs – Fieldwork

IT Network Security – Reporting

# Annual Plan for Fiscal Year 2019

Paul L. Foster School of Medicine Department of Neurology – Reporting

**Angelo State University**

Housing and Residential Programs – Complete

Chrome River System Post-Implementation Review – Fieldwork

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

In addition to the planned engagements and other risk-based engagements included above, 9 planned projects in progress at September 1, 2018, were completed during the year. Our office began 5 special projects or investigations during the year because of changing risks and priorities, reports to the Texas Tech Fraud and Misconduct Hotline or directly to our office, or other factors. Three of these engagements were completed prior to August 31, 2019. The other two are still in progress.

No audits related to benefits proportionality were required or included in the 2019 annual audit plan.

Texas Education Code, Section 51.9337(h), as added by Senate Bill 20 (84<sup>th</sup> Legislature), requires higher education institutions to annually assess whether the institution has adopted the rules and policies required by this section and submit a report of findings to the state auditor. To comply with this audit requirement, the Office of Audit Services at Texas Tech University System included an audit entitled *Contracting and Procurement Processes* on its fiscal year 2019 annual audit plan. The audit report (#2019004) was issued to management on July 29, 2019, 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.

Other contract related engagements that were completed during fiscal year 2019 include TTUHSC Correctional Managed Health Care Contract, TTUHSC El Paso Department of Emergency Medicine Contract Billing Processes, and Lubbock Power & Light Power Purchase Agreement. Certain other audits included individual contracting objectives as a portion of the overall engagement scope.

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

# Annual Plan for Fiscal Year 2019



TEXAS TECH UNIVERSITY SYSTEM™

## Office of Audit Services

Annual Audit Plan  
For the Year Ending August 31, 2019

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 9, 2018*



# Annual Plan for Fiscal Year 2019

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# Annual Plan for Fiscal Year 2019

## Transmittal Letter



August 9, 2018

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

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2019. The plan includes audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately thirty percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kim Turner'.

Kimberly F. Turner, CPA  
Chief Audit Executive

Approved by: Mickey L. Long August 9, 2018  
Mr. Mickey L. Long

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# Annual Plan for Fiscal Year 2019

## Mission Statement



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

# Annual Plan for Fiscal Year 2019

## Quality Assurance Program



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

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

# Annual Plan for Fiscal Year 2019

## 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 2019

## Risk Assessment Process



The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared this audit plan based on the results of a formal risk assessment process.

The risk assessment process undertaken to prepare this annual plan was multi-layered. First, the Texas Tech University System and its institutions are in the early stages of implementing a formal Enterprise Risk Management (ERM) program. In conjunction with this program, management of Texas Tech University System, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso, respectively, provided risk information related to strategic goals and operational processes of the institutions.

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

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

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# Annual Plan for Fiscal Year 2019

## Allocation of Time



Our staff consists of 17 audit professionals. After consideration of estimated time for staff meetings, continuing professional education, holidays, and annual leave, we determined our allocable chargeable time to be approximately 21,000 hours.

Of this time, approximately 1,300 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 2,500 audit hours are needed to complete engagements from the fiscal year 2018 annual audit plan that are in progress at year-end. We have set aside 31 percent of total chargeable time (approximately 6,500 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, service to the profession, institutional committee service, follow-up on prior audits, and special projects. The remaining 10,700 audit hours have been allocated to the projects determined through the risk assessment process. The risk-based engagements as well as the required audits are listed on pages 9-13.

# Annual Plan for Fiscal Year 2019

## Planned Engagements



### Texas Tech University System and Components

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
LP&L Power Purchase Agreement	Compliance
Security Camera Policies	Management Advisory
Office of Investments	Financial/Operational
Office of Institutional Advancement	Management Advisory
IT Risk Assessment Framework	IT/Controls
Construction Audits	External Audit
State Auditor's Office, THECB, and Comptroller's Office Misc. Projects	External Audit



# Annual Plan for Fiscal Year 2019

## Planned Engagements (continued)



### Texas Tech University

Time & Effort Reporting Processes

Payroll Security and Processes

Research Safety Governance

College of Education

Intercollegiate Athletics

CS Gold Application Security

School of Music Cash Controls

Costa Rica Campus

Student Success and Retention

Athletics Financial Agreed-Upon Procedures

Texas Tech Public Media Financial Statements

Football Attendance Certification

Compliance

IT/Controls

Governance

Financial/Operational

Operational/Compliance

IT/Controls

Controls

Financial

Operational

External Audit

External Audit

Compliance

# Annual Plan for Fiscal Year 2019

## Planned Engagements (continued)



### Texas Tech University Health Sciences Center

Time & Effort Reporting Processes	Compliance
Department of Ophthalmology EyeDoc Express Application Controls	IT/Controls
Industrial Control Systems Security	IT/Controls
Office of Strategic Initiatives Revenue Cycle Unit	Management Advisory
GE Centricity Business – Dictionary Change Management	IT/Controls
Food and Entertainment Expenses	Financial
School of Medicine – Permian Basin	Operational/Controls
Garrison Institute	Financial
SACS Financial Statement Review	External Audit
Correctional Managed Health Care Contract	Compliance
Joint Admission Medical Program Grants – Lubbock SOM	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance

# Annual Plan for Fiscal Year 2019

## Planned Engagements (continued)



### Texas Tech University Health Sciences Center El Paso

Time & Effort Reporting Processes	Compliance
Transmountain Campus Business Processes	Financial/Controls
IT Network Security	IT/Controls
PLFSOM Department Cash Controls	Controls
Amazon Purchases	Financial/Controls
GE Centricity EMR Application Controls	IT/Controls
PLFSOM Department of Emergency Medicine	Financial/Controls
Library Cash Controls	Controls
Data Loss Prevention Controls	IT/Controls
Joint Admission Medical Program Grants – El Paso PLFSOM	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance

# Annual Plan for Fiscal Year 2019

## Planned Engagements (continued)



### Angelo State University

Graduate Studies Tuition	Financial/Compliance
Grant Administration Processes	Operational/Compliance
Hispanic Serving Institution (HSI) Grants	Financial/Compliance
Housing and Residential Programs	Financial/Compliance
ChromeRiver System Post-Implementation Review	IT/Controls
Carr Foundation Financial Statements	External Audit
ASU Foundation, Inc. Financial Statements	External Audit

# Annual Plan for Fiscal Year 2019

## 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

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# Annual Plan for Fiscal Year 2019

## Nature of Work (continued)



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

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

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

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

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# Annual Plan for Fiscal Year 2019

## Audit Process



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



# Annual Plan for Fiscal Year 2019

## 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 & 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

# Audits Completed

## Texas Tech University System and Components

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2019008	10/31/2018	Office of Audit Services 2018 Annual Report	As required by State law and Regents' Rules, we have prepared the annual report for our office in accordance with guidelines established by the State Auditor's Office. The report includes the results of our activities for fiscal year 2018, our latest external quality assurance review, lists of audit and non-audit engagements completed, external audit services provided to Texas Tech, and the 2018 and 2019 annual audit plans.	No recommendations to implement.
2019021	1/8/2019	Lubbock Power and Light Power Purchase Agreement	We confirmed that Lubbock Power and Light calculated Texas Tech's fiscal year 2016, 2017, and 2018 cost of purchased power and price adjustments in accordance with the established agreement in all material respects, which was the objective of the audit. We also confirmed Texas Tech has received all refunds due from price adjustments for fiscal years 2010 through 2018. We had no recommendations and there are no outstanding audit issues.	No recommendations to implement.
N/A	2/8/2019	Construction Project Expenses – ASU Centennial Village Phase II	<p>Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the associated contracts. This audit of Angelo State University's Centennial Village Phase II was performed by RSM US LLP (RSM), a public accounting and consulting firm engaged by Texas Tech University System. On December 9, 2016, Texas Tech University System entered into a design-build-services agreement (Agreement) with The Whiting-Turner Contracting Company (Whiting-Turner) for design professional and construction management services for the Centennial Village. As of May 31, 2018, the contract value was \$12,398,800.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 19, which was for services provided through May 31, 2018. The total amount billed as of that date, including the construction manager's fee, was \$10,592,506. The auditors</p>	Potential unallowable costs were identified in the job cost ledger. Auditors confirmed the job cost ledger was updated and reflects only allowable costs. No further recommendations.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			identified a total of \$184,186 in potential unallowable costs for general conditions and subcontractor costs. As a result of the audit, Whiting-Turner updated its job cost ledger to denote unallowable items, which will ensure they will not be billed to TTUS. RSM has confirmed the job cost ledger now reflects only allowable costs.	
2019006	2/8/2019	Regents, Chancellor and Presidents Travel and Credit Cards Agreed-Upon Procedures	The CPA firm of Bolinger, Segars, Gilbert & Moss, LLP, conducted an agreed-upon procedures engagement in which they reviewed fiscal year 2018 expense reimbursements, credit card expenses, and charter flights of the regents, chancellor, and presidents. The auditors noted \$142.61 in personal charges identified by Texas Tech University management on the corporate card, all of which have been reimbursed to Texas Tech. The auditors also noted all of the TTU President's travel vouchers were dated well after the trip dates.	No recommendations to implement.
2019005	3/6/2019	Texas Tech Foundation, Inc. 2018 Financial Statements and Independent Auditor's Report	We assisted the independent audit firm of Bolinger, Segars, Gilbert & Moss, LLP, in the annual audit of Texas Tech Foundation, Inc., for the year ended August 31, 2018. The auditor issued an unmodified opinion on the financial statements. A prior period adjustment was required to reflect the Foundation's adoption of GASB Statement No. 81, <i>Irrevocable Split-Interest Agreements</i> . The effect of adopting this standard reduced beginning net position by \$2,103,248. 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.
N/A	5/28/2019	Construction Project Expenses – TTU Sports Performance Center	Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the associated contracts. This audit of Texas Tech University's Sports Performance Center was performed by RSM US LLP (RSM), a public accounting and consulting firm engaged by	Auditors verified credit was received for unallowable costs. No further recommendations.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Texas Tech University System. On November 9, 2015, Texas Tech University System entered into a construction manager at risk agreement (Agreement) with Flintco, LLC (Flintco) for construction management of the Sports Performance Center at Texas Tech University.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 26, which was for services provided through May 9, 2019. The total amount billed as of that date, including the construction manager's fee, was \$38,956,884. The auditors identified final unallowable costs of \$127,126. The largest components of unallowable costs were \$66,004 in unsupported subcontractor default insurance (SDI) costs and \$61,122 in overcharges for general liability insurance premiums. RSM has verified that Flintco issued a credit in the final pay application for \$127,126.</p>	
2019003	5/28/2019	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 2018 expenditures. This audit, which was performed by the independent CPA firm of Bolinger, Segars, Gilbert & Moss, LLP, covered 29 grants totaling over \$36 million at TTUHSC, TTUHSC EP, TTU, and ASU, of which \$6 million was expended during fiscal year 2018. 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.	No recommendations to implement.
2019004	7/29/2019	Contracting and Procurement Processes	The audit objectives were to assess whether the Texas Tech University System (System) and its component institutions have adopted rules and policies required by Section 23 of Senate Bill 20, which imposes requirements related to	<p>Incomplete/ongoing</p> <p>Based on implementation dates provided by management, it is</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			contracting and procurement to achieve greater accountability in state agencies, and to evaluate processes that ensure employee training occurs in accordance with statutory requirements. The System and its component institutions have adopted the rules and policies required by Senate Bill 20, Section 23. The System component institutions are each at different stages of implementing a contracting training program to comply with Texas Education Code, Section 51.9337 (b)(5); however, Texas Tech University is the only institution with a program currently in place that, overall, facilitates compliance. Across the System, 45 employees with signature authority or in key positions to exercise discretion in awarding contracts have not received documented contracting training. Each institution indicated steps to be taken to improve overall compliance.	not yet time to follow up on these recommendations.
2019010	7/31/2019	Office of Audit Services Quality Assurance Activities	In accordance with generally accepted government auditing standards (GAGAS) Standard 5.44, 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. One recommendation was made to evaluate the current methodology for documenting internal controls relevant to audit objectives to ensure processes and documentation are consistent with recently revised standards.	Incomplete/ongoing  Pending completion by the Office of Audit Services.
2019009	8/8/2019	Office of Audit Services 2020 Annual Audit Plan	In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared our 2020 annual audit plan based on the results of a formal risk	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>assessment process. Our plan of work incorporates all the institutions 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>Regents' Rules</i>, require Board approval of the plan.</p>	

# Audits Completed

## Texas Tech University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2018037	10/17/2018	School of Law	The objective of this audit was to review the School of Law's controls over procurement, cash handling, and scholarship awarding. Additionally, at the request of the dean, we reviewed recently compiled human resources data for accuracy. Overall, the School of Law has implemented a control structure over procurement methods including procurement cards, purchase orders, and travel, as well as cash handling. In addition, the School has documented internal policies and procedures for awarding scholarships that contain adequate controls; however, there are opportunities to strengthen controls surrounding disclosure of conflicts of interest.	Implemented
2018039	11/5/2018	Office of the Registrar	The objectives of this audit were to evaluate the degree audit process and DegreeWorks for effective and reasonable controls. DegreeWorks, a web-based application that allows students and advisors to monitor academic progress, is the primary tool used by advisors to ensure degree requirements are met. We also evaluated the change management process surrounding DegreeWorks. Overall, reasonable controls are employed at both the institutional and college level over the degree audit process and the change management process surrounding DegreeWorks. However, there is an opportunity to provide consistency by creating institutional guidelines for awarding degrees and conducting degree audits. Additionally, we recommended that colleges develop formal, documented policies and procedures to govern these processes. The Provost's Office intends to provide institutional guidelines related to degree audits and ensure the development of college-level processes.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2019013	11/30/2018	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 2018 season. The Bylaw	No recommendations to implement.



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			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.	
2019011	1/2/2019	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, 2018, 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.	No recommendations to implement.
2019012	1/25/2019	Texas Tech Public Media 2018 Financial Statements	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 Bolinger, Segars, Gilbert & Moss, LLP (Bolinger Segars), with the annual audit of Texas Tech Public Media for the year ended August 31, 2018, 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 unmodified 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 and no internal control weaknesses were identified.	No recommendations to implement.
2018023	2/1/2019	Office of Human Resources	The objectives of this audit were to evaluate whether controls surrounding employment eligibility verification processes ensure completeness and timeliness; and to utilize data analytics to evaluate compliance with select University operating policies and procedures related to compensation. We concluded longevity payment recipients and merit increases comply with University policies and procedures related to compensation. The Office of Human Resources has established processes for employment eligibility verifications;	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			however, the verifications were not always completed within statutorily required timeframes. We also identified 21 instances where employment eligibility was not verified at all and the lack of verification was not identified by Human Resources. We recommended that Human Resources modify internal processes to ensure completion of employment eligibility verifications and provide training to departmental users who have a history of initiating employment eligibility processes past established deadlines. Additionally, Human Resources management should document and obtain approval for circumstances where Human Resources personnel deviate from salary adjustment and equity increase compensation policies.	
2019074	2/20/2019	Edward E. Whitacre, Jr. College of Engineering Scholarships Special	This audit was conducted after the receipt of concerns about the College's scholarship awarding processes related to the International Engineering Program. Our objectives were to determine whether preference is shown in the scholarship awarding process to students fulfilling the international experience requirement in certain countries and to evaluate internal controls surrounding the Program's scholarship awarding processes. Scholarship award data indicated that preference is shown to students studying abroad in South America, particularly those studying in Brazil. We identified opportunities to strengthen internal controls surrounding the Program's scholarship awarding processes to ensure consistency, parity, and compliance with donor restrictions.	Incomplete/ongoing  Estimated implementation date is end of October 2019.
N/A	2/20/2019	School of Veterinary Medicine Agreed-Upon Procedures	The international accounting firm of Grant Thornton, LLP, performed an agreed-upon procedures engagement on certain information included in Texas Tech University's proposal to the Texas Higher Education Coordinating Board related to the School of Veterinary Medicine. An agreed-upon procedures engagement is lesser in scope than an audit and involves the CPA firm validating information against the sources given by Texas Tech University. There is no audit opinion; rather, the report states the results of each procedure. In the few cases	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			where Grant Thornton found differences in comparisons to source information, the information in the proposal was corrected prior to its submission to the Coordinating Board.	
2019023	2/22/2019	Time and Effort Reporting Processes	The objective of this audit was to determine if time and effort reporting processes ensure compliance with Federal regulations and University policy. We concluded time and effort reporting processes at the University are effectively designed and operating to facilitate compliance with Federal regulations and University policy. We identified only minor opportunities to enhance the operation of the processes that are in place, which were verbally communicated to management.	No recommendations to implement.
2018038	3/4/2019	Financial Compliance of Grant Funds	The objective of this audit was to analyze grant data to identify areas of non-compliance and control weaknesses within the grant management process. We did not identify significant control weaknesses within the grant management process. However, we identified multiple grants that were not closed out timely. While our approach could not isolate additional compliance issues within individual grants, our holistic analysis revealed anomalies throughout various aspects of the grant management process such as equipment purchases late in the grant period, delayed spending of grant funds, significant budget revisions, and cost transfers, all of which was communicated to management.	Implemented
2019024a	4/1/2019	Payroll Security and Processes	The Payroll and Tax Services office at Texas Tech University provides services to all the institutions of the Texas Tech University System except Angelo State University. The objectives of this audit were to ensure the accuracy of accruals and payments associated with select time and leave categories; determine if modify access to select high risk Banner forms utilized in the payroll process is appropriately limited and segregated; and determine if administrator access to TimeClock Plus is appropriately limited.	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Overall, lump sum vacation and compensatory time payments are accurate, payments to employees on leave without pay are appropriate, and administrator access to TimeClock Plus and modify access to the Banner form utilized to adjust payroll are appropriately limited. However, we identified an opportunity to ensure leave accrual adjustments resulting from employees entering or returning from leave without pay are processed timely and in compliance with University operating policies and procedures. We also identified opportunities to enable restrictions in TimeClock Plus to prevent users from editing or approving their own time entries and to implement a hardware life cycle management process for TimeClock Plus terminals.	
2019024b	4/1/2019	Garnishments Application and High Risk Banner Form Access	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>During performance of the Payroll Security and Processes audit, we noted two issues related to user access that were best addressed by Information Systems. Management agreed with the recommendations.</p>	Implemented
2019049	4/11/2019	School of Music	<p>The objectives of this audit, originally included in our annual plan to review cash controls, were expanded after receipt of a hotline report alleging financial and other improprieties by certain individuals in the School of Music. Our objectives were to review the financial activities of certain faculty members for fraud and abuse, and determine if conflicts of interest and commitment have been created through outside employment activities of certain faculty members. Overall, the financial activities reviewed related to purchases and travel appear reasonable and support a University business purpose. Additionally, faculty members reviewed have disclosed their outside employment/consulting and appear to be in compliance with University operating policy. However, the billing activities and equipment use of the former director of the TTU recording studio raise concerns. The director of the TTU recording studio had a conflict of interest as he personally</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			provided the same type of services as the TTU recording studio. In addition, the director had sole control over the TTU recording studio's billing activities. Management concurs with the recommendation for a comprehensive equipment inventory related to the former director and the TTU recording studio and has taken action.	
2019038	6/19/2019	CS Gold Application Security	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>CS Gold is a mission-critical application used at TTU to manage campus identification cards, dining plans, funds deposited in individuals' declining balance accounts (RaiderCash), and door security for various campus buildings. The audit objective was to evaluate application controls and security for CS Gold, focusing on the protection of data and University facilities. Management agreed with the recommendations.</p>	<p>Incomplete/ongoing</p> <p>Based on implementation dates provided by management, it is not yet time to follow up on one recommendation. The other recommendation is pending verification by the Office of Audit Services.</p>
2019037	6/19/2019	Intercollegiate Athletics	The audit objectives were to determine whether controls over nutritional supplements ensure compliance with NCAA Bylaws and to evaluate compliance education provided to managers and tutors. The Intercollegiate Athletics department has implemented effective controls surrounding the purchase and distribution of nutritional supplements, including a secondary review and approval of most purchases. Further, most supplements are purchased through a purchase order or contract rather than procurement cards, providing stronger controls prior to the purchase. Additionally, the content and frequency of NCAA compliance education provided to managers and tutors is appropriate and effective. Still, there are opportunities to further strengthen controls related to nutritional supplement approvals, tutor education, and information access management.	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>
2019090	7/8/2019	Perkins Loan Program Liquidation Agreed-Upon	The accounting firm of Belt Harris Pechacek, LLLP, performed an agreed-upon procedures engagement to	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
		Procedures	determine whether the University administered the Title IV federal student loan program in accordance with the Federal Perkins Loan Liquidation Procedures and other selected requirements of the Higher Education Act. An agreed-upon procedures engagement is lesser in scope than an audit and involves the CPA firm validating specified information. There is no audit opinion; rather, the report states the results of each procedure. The U.S. Department of Education has accepted the report and indicated the liquidation of the University's Perkins Loan portfolio is complete.	

# Audits Completed

## Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2018041a	10/26/2018	Permian Basin Department of Psychiatry	The objectives of this audit were to evaluate the financial, operational, and technological processes of the Permian Basin Department of Psychiatry and to determine if a control structure has been put in place to ensure compliance with a recently awarded major gift. We concluded the Department complies with various Health Sciences Center operating policies and has implemented controls surrounding certain financial and technological processes. However, we identified opportunities to strengthen processes governing HIPAA compliance, account reconciliations, and cash handling. Additionally, management is aware of requirements associated with the major gift but has not formalized a control structure to ensure compliance.	Incomplete/ongoing  Three of the recommendations have been implemented. The last recommendation, regarding gift compliance processes, is pending verification by the Office of Audit Services.
2018041b	10/26/2018	Permian Basin Employee Training	During the Permian Basin Department of Psychiatry audit, we identified an opportunity to improve the training provided to Patient Service Specialists across the Permian Basin campus. Currently, on-the-job training is provided to Patient Service Specialists in their respective departments, but this training is varied and informal in nature. Patient Service Specialists are a critical component of the business operations, as their role touches all aspects of the clinical revenue cycle from appointments, patient intake, and insurance eligibility, through payment processing. In November 2017, the TTUHSC School of Medicine in Lubbock implemented a formal insurance training process as part of their new employee orientation. Management was receptive to our recommendation to leverage this existing training as part of a more formal training process at the Permian Basin campus.	This report was informational in nature. No formal recommendation requiring a management response was made.
2019016	10/30/2018	Joint Admission Medical Program (JAMP)	The objective of this audit, which is required by the JAMP Council, was to provide reasonable assurance that TTUHSC is in compliance with the JAMP agreement and the JAMP	No further recommendations to implement.



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Expenditure Guidelines for fiscal year 2018. TTUHSC has generally implemented sufficient oversight and monitoring procedures to ensure the grant is administered in compliance with the JAMP Agreement. However, we identified 29 employees that received compensation totaling \$13,550 from JAMP funding whose effort towards the program was not certified on an effort statement because of the compensation code used. During the audit, all of these employees' effort towards JAMP was manually certified and now complies with the JAMP Expenditure Guidelines. All other fiscal year 2018 expenditures comply with the JAMP Expenditure Guidelines. Finally, all unexpended funds for fiscal year 2018 have been returned.	
2019079	11/8/2018	Texas Higher Education Coordinating Board Nursing Shortage Reduction Regular Program	The objective of this audit, added to our annual plan to comply with a Coordinating Board audit requirement, was to determine if Nursing Shortage Reduction Regular Program funds awarded to TTUHSC in fiscal year 2016 were expended in compliance with allowable award expenditures. TTUHSC received \$748,020 in Program funds during fiscal year 2016. As of August 31, 2018, the entire award was expended. We reviewed all expenditures from fiscal year 2016 through 2018 noting 96% of expenditures were payroll related and the remaining 4% were for operational expenses. The expenditures complied with the Coordinating Board's allowable use of the funds.	No recommendations to implement.
2019040	12/12/2018	Centricity Business – Dictionary Change Management	The objective of this audit was to evaluate the change management processes relating to the Centricity Business dictionaries. Overall, several key controls surrounding dictionary change management have been employed, including access controls and the existence of documented procedures to assist users when editing dictionaries. However, we recommended that management at all TTUHSC campuses review the policies and procedures related to dictionary management to ensure they are consistent and complete. In	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			addition, Permian Basin management will ensure all dictionary change requests are documented in SharePoint.	
2019014	12/12/2018	Review of Financial Statements for the Year Ended August 31, 2018	<p>We received the review report from the CPA firm of Belt Harris Pechacek, LLLP (Belt Harris), which performed a review of TTUHSC's financial statements for the year ended August 31, 2018. This review was required by the Southern Association of Colleges and Schools (SACS), the body from which TTUHSC seeks reaffirmation of its institutional accreditation.</p> <p>A review is substantially less in scope than an audit and includes primarily applying analytical procedures to management's financial data and making inquiries of management. The scope of a review is not sufficient for a CPA firm to express an opinion on the financial statements, and no opinion was expressed. Belt Harris stated that based on their review, they are not aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.</p>	No recommendations to implement.
2019017a	12/20/2018	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 2018 expenditures were \$668,663. 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.
2019053	1/14/2019	Garrison Institute on Aging	The original objective of this audit was to evaluate Garrison Institute finances; however, during the audit, we could not ignore obvious signs of governance issues at the Institute and expanded our work to address these concerns.	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>We determined the work environment in the Institute was hostile, authoritarian, and in direct contradiction to TTUHSC's Value-Based Culture initiative. Employees reported they were sometimes required to perform actions that were unethical, were not allowed to communicate openly, were disrespected, and were fearful of retaliation for reporting concerns. In fact, the Executive Director intentionally interrupted a meeting between auditors and an Institute staff member, who became visibly upset and ended the meeting. Subsequently, the Executive Director requested information about the meeting from the staff member. These actions were direct violations of scope limitation conditions outlined within the audit engagement letter signed by the Executive Director when the audit began.</p> <p>TTUHSC senior leadership is taking steps to address the governance concerns. Although we could not determine if the appropriate funding sources (e.g., grant or institution funds) were utilized for all expenditures, expenditures we tested reasonably supported the Institute and its operations and were allowed on the respective funds to which they were charged. In addition, a trend analysis did not reveal significant patterns of concern regarding grant or institutional funds spending rates.</p>	
2019028	1/16/2019	Industrial Control Systems Security	<p>The objective of this audit was to evaluate security and controls surrounding the information technology infrastructure and information systems that support industrial control systems in Facilities and Safety Services at TTUHSC. We focused on certain systems at the Lubbock campus related to fire monitoring and alarm service, temperature, and humidity control. Facilities and Safety Services has implemented various controls to protect the infrastructure and information systems, including constant monitoring of systems and documenting all changes and maintenance to industrial control systems. However, inconsistent application of controls has resulted in</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
			certain security weaknesses that could result in equipment or network failures.	
2019026	3/13/2019	Time and Effort Reporting Processes	The objective of this audit was to determine if time and effort reporting processes ensure compliance with Federal regulations and University policy. Overall, time and effort reporting processes at the Health Sciences Center are effectively designed and operating to facilitate compliance with Federal regulations and institutional policy. However, we identified an opportunity to enhance processes regarding identifying variances between compensation and effort distributions.	Implemented
2019027	3/21/2019	Interim Report on Department of Ophthalmology EMR Migration and Implementation Review	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>The objective of this ongoing review is to evaluate the implementation of Integrity, the Department of Ophthalmology's new web-based electronic medical record (EMR) application, and provide guidance on internal controls and process efficiencies.</p>	<p>Incomplete/ongoing</p> <p>The implementation of the EMR system is not yet complete.</p>
2019041	3/21/2019	Food and Entertainment Expenses	The objective of this audit was to use data analytics to identify elevated-risk food and entertainment expenses and ensure they support the mission of the Health Sciences Center and are allowable for their funding source. Overall, the food and entertainment expenses we tested supported the mission of the Health Sciences Center. However, we identified \$61,819.32 in expenses that were not allowable for their funding source and have worked with the CFO's office and the respective department to resolve these unallowable expenses. We had no additional recommendations.	No further recommendations to implement.
2019081	6/18/2019	Department of Obstetrics and Gynecology Special	This audit was conducted after the institution received a hotline report regarding a questionable purchasing card transaction. Based on substantiation of the initial allegation as well as concerns noted through additional hotline reports	No further recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			regarding the work environment, the objectives of this audit were to review financial and leave reporting activities of certain departmental personnel for fraud and abuse and to evaluate the controls surrounding financial and leave reporting activities of the Department. The financial activities initiated or approved by departmental administrative staff during fiscal years 2018 and 2019 were reasonable, and we did not identify additional transactions that suggest fraud or abuse. However, the former Senior Administrator had not reported sick and vacation leave totaling 111 hours during fiscal years 2018 and 2019. The Senior Administrator reimbursed the institution in April 2019 for the questionable \$232 purchasing card transaction and is no longer an employee. Her leave balances were adjusted prior to her termination.	
2019015	6/26/2019	Correctional Managed Health Care	The audit objectives were to evaluate Managed Care's processes to monitor contracted parties providing pharmaceutical services and dialysis services to ensure contract requirements are appropriately fulfilled, payments made to the contracted parties accurately reflect services rendered, and pharmaceutical drug reclamations are accurate. This engagement included the contracts with UTMB for pharmaceutical services and Fresenius Medical Care for dialysis services. TTUHSC Managed Care has implemented a control structure that monitors the contracted parties to ensure the requirements of the contracts are appropriately fulfilled and to ensure that payments made accurately reflect services rendered. There is an opportunity for Managed Care to strengthen the process related to the monthly recycled medications.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2019080	7/8/2019	Texas Administrative Code Chapter 202 Information Security Standards Compliance	<u>This report was issued as confidential and is excepted from public disclosure.</u>  The audit objective was to determine if select information technology (IT) controls are implemented as documented in institutional security policy and in compliance with the Texas	Incomplete/ongoing  Based on implementation dates provided by management, it is not yet time to follow up on

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Administrative Code Chapter 202 (TAC 202). Management agreed with the recommendations.	these recommendations.
2019027	6/12/2019 & 7/29/2019	Interim Reports on Department of Ophthalmology EMR Migration and Implementation Review	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>The objective of this assessment is to evaluate the implementation of Integrity, the Department of Ophthalmology's new web-based electronic medical record (EMR) application, and provide guidance on internal controls and process efficiencies.</p>	<p>Incomplete/ongoing</p> <p>The implementation of the EMR system is not yet complete.</p>
2019085	7/30/2019	School of Medicine Credit Balance Analysis	<p>The audit objective was to evaluate each School of Medicine campus's process to analyze and work credit balances, with a special focus on the Amarillo and Permian Basin campuses' plans to reduce the amount of aged credits. The School of Medicine Lubbock campus has effective processes to review, resolve, and monitor credit balances. The Amarillo and Permian Basin campuses have placed a renewed focus on credit balances over the past several months; however, these campuses do not have optimal processes to review, resolve, and monitor credit balances. Additionally, the amounts of aged credits at the Amarillo and Permian Basin campuses are concerning given potential billing compliance implications regarding federal, state, and other external payor requirements for timely refunds of overpayments. We have communicated this concern to the Office of Institutional Compliance. We concur with management's additional actions planned or already implemented to address the findings.</p>	<p>Incomplete/ongoing</p> <p>Based on implementation dates provided by management, it is not yet time to follow up on these recommendations.</p>

# Audits Completed

## Texas Tech University Health Sciences Center El Paso

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2018031	8/7/2018	Conflict of Interest Management Processes	<p>The objective of this audit was to verify that conflict of interest management processes align with TTUHSC El Paso policy. In performing this engagement, we focused on the processes performed by the Institutional Compliance Office and the Institutional Conflict of Interest and Commitment Committee. Conflicts of interest can arise at every level of an organization and can present financial, legal, and reputational risks if they are not disclosed and appropriately managed.</p> <p>We concluded the current conflict of interest management processes generally align with TTUHSC El Paso policy. The Institutional Compliance Office actively reviews each disclosure form containing a known or potential conflict and forwards new and high risk conflicts to the Conflict of Interest and Commitment Committee for further review and development of a conflict management plan if necessary. Program enhancements planned for 2019 include extending conflict training requirements to all faculty and staff, providing the disclosure form at the conclusion of the online training module, and improving the lesson approval process.</p>	Implemented
2018045	9/24/2018	Texas Administrative Code Chapter 202 (TAC 202) Information Security Standards Compliance	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>The objective of this audit was to determine if select information security control standards were implemented by TTUHSC El Paso as required in TAC 202 and institutional security policy. Management agreed with the recommendations.</p>	Incomplete/ongoing
2019018	10/30/2018	Joint Admission Medical Program (JAMP)	The objective of this audit, which is required by the JAMP Council, was to provide reasonable assurance that TTUHSC El Paso is in compliance with the JAMP agreement and the JAMP	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Expenditure Guidelines for fiscal year 2018. 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 2018 expenditures comply with the JAMP Expenditure Guidelines, and all unexpended funds have been properly returned.	
2018053	11/20/2018	Department of Pediatrics	The objective of this audit was to evaluate the charge capture, billing, and denials management processes in the El Paso Department of Pediatrics to ensure services provided are billed and denials are addressed. We concluded the Department's charge capture and billing processes do not ensure that all services provided at hospitals and dialysis centers are billed. The Department should ensure providers (e.g., physicians) submit required documentation, obtain reports for all services rendered at hospitals and dialysis centers, and provide training to coding staff to ensure all services provided are billed under the correct date of service. In addition, the Department should routinely analyze denials to identify trends, determine and address root causes, and track employee productivity. Lastly, Department management should document policies and procedures that outline the denials management process and metrics.	Incomplete/ongoing  Based on follow-up performed, implementation dates have been revised to the end of October 2019.
2019043	11/29/2018	Amazon Purchases	The objective of this audit was to use data analytics to review procurement card purchases at TTUHSC El Paso for potential fraudulent Amazon purchases. Testing was designed to detect personal purchases, altered documentation, and items shipped to a personal address. No apparent fraudulent Amazon purchases were identified in testing. All tested transactions had a reasonable business purpose, documentation submitted by cardholders aligned with purchase information in the CitiDirect System, and items were shipped to a TTUHSC El Paso address. In addition, the Payment Services staff employs multiple review processes in an effort to detect fraud as well as non-compliance with state and institutional policies. However,	Implemented



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Payment Services is not utilizing a feature within the CitiDirect System that allows users to view the actual items purchased from certain vendors, including Amazon. This feature could be used by Payment Services staff and departmental supervisors to compare submitted receipts from the cardholders to actual items purchased in order to identify fraud. Management concurs with the recommendation and will begin utilizing the feature within the CitiDirect System during their monthly reviews.	
2019078	12/20/2018	Department of Emergency Medicine Contract Billing Processes	<p>This engagement was not included in our annual plan, but was conducted at the request of TTUHSC El Paso General Counsel and the President's Office to address an allegation made by a former employee regarding overbilling University Medical Center (UMC) for services provided. The objectives of this engagement were to determine if invoices submitted to UMC for emergency, triage, and toxicology services provided by the Department of Emergency Medicine are accurate and in accordance with contract terms, and to evaluate internal controls over the billing process.</p> <p>We concluded the allegation that TTUHSC El Paso overbilled UMC is unsubstantiated. The Department of Emergency Medicine has implemented strong internal controls over billing processes, which help minimize the risk of inaccurate billing. Invoices submitted to UMC for emergency and triage services provided in May, July, and August 2018 were accurate and in accordance with contract terms. Invoices for toxicology services provided from February through November 2018 were overstated by \$0.27 each because of rounding in the invoice template created by the Contracting Office. We verbally recommended the Contracting Office correct the toxicology invoice template and refund UMC.</p>	No further recommendations to implement.
2019017b	12/20/2018	Texas Higher Education Coordinating Board Residency	We performed this audit of the Texas Higher Education Coordinating Board Residency Grants to meet the audit	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
		Grant	requirements of the grant which are imposed by the Coordinating Board. The objective of the audit was to determine if TTUHSC El Paso complied with Coordinating Board guidelines related to the grants. Total fiscal year 2018 expenditures were \$143,449. All reviewed program expenditures comply with Coordinating Board guidelines and the amounts reported in the annual financial reports agree to TTUHSC El Paso's financial system.	
2019055	1/18/2019	Data Loss Prevention	<p><u>This report was issued as confidential and is excepted from public disclosure.</u></p> <p>The objectives of this audit were to ensure existing technology and related controls provide reasonable assurance in preventing the loss of protected and sensitive data, and to determine if the Research Department is included in the Information Technology Division's existing controls and related processes for the protection of protected and sensitive data. Management agreed with the recommendations.</p>	<p>Incomplete/ongoing</p> <p>Based on turnover within the Information Security Office, implementation dates are being revised. As such, it is not yet time to follow up on these recommendations.</p>
2019029	3/14/2019	Time and Effort Reporting Processes	The objective of this audit was to determine if time and effort reporting processes ensure compliance with Federal regulations and University policy. Overall, time and effort reporting processes at Health Sciences Center El Paso are effectively designed and operating to facilitate compliance with Federal regulations and institutional policy. However, we identified an opportunity to enhance processes regarding identifying variances between compensation and effort distributions.	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>
2019054	3/19/2019	Library Cash Controls	The objective of this audit was to evaluate the internal controls surrounding Library cash handling processes. The Libraries have implemented some controls over cash funds, such as written cash handling procedures and daily reconciliations of deposits to receipts. However, we recommended improvements in controls related to segregation of duties, transfer of accountability, cash counts, and safe access. In addition, we identified inappropriate distribution of personally identifiable	<p>Incomplete/ongoing</p> <p>The recommendation regarding safe access has been implemented. Based on follow-up performed, implementation dates have been revised and are pending verification by the</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			information and a contract that was signed without proper authorization.	Office of Audit Services.
2019030	4/9/2019	Transmountain Clinical Practice Business Processes	The objectives of this audit were to evaluate cash handling controls, to evaluate the billing process to ensure services provided by Transmountain Practice providers are billed, and to review the contract monitoring process to ensure accurate and timely revenue billing and expenditure payments. The contract monitoring process does not ensure accurate and timely revenue billing and expenditure payments. Inaccuracies in billing information from Medistar and errors by employees resulted in both over- and underpayments of lease and operating expenses; the net effect is that Medistar owes the Practice \$84,000. In addition, the medical billing process does not ensure that all services provided at hospitals and outside facilities are billed. Finally, while the Practice has implemented some controls in the cash handling process, we recommended further improvements related to safeguarding of funds, safe combination and keys, accountability of assets, and void and edit access in Phreesia, a patient collection system. We also recommended steps to improve the accuracy, timeliness, and completeness of contract monitoring and medical billing processes.	Incomplete/ongoing  Several recommendations have been verified as implemented. Other recommendations are pending verification by the Office of Audit Services.
2019042a	5/15/2019	Department of Family and Community Medicine Cash Controls	The audit objective was to evaluate the internal controls surrounding Department cash handling processes. The Department has implemented some controls in the cash handling process such as segregation of duties and receipting of payments. However, we identified weaknesses related to transfer of accountability for funds, cash counts, safeguarding of cash, daily reconciliations, timeliness of deposits, void access, and internal cash handling policies and procedures.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2019042b	6/19/2019	Department of Pediatrics Cash Controls	The audit objective was to evaluate the internal controls surrounding Department cash handling processes. The Department has implemented several critical controls in the	Incomplete/ongoing  Pending verification by the

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			cash handling process, including documented policies and procedures, receipting of payments, safeguarding of cash overnight, and restricting access to void transactions. However, weaknesses were noted related to transfer of accountability for funds, dual custody cash counts, cash drawers, short record fees, and timeliness of deposits.	Office of Audit Services.
2019042c	6/19/2019	Department of Internal Medicine Cash Controls	The audit objective was to evaluate the internal controls surrounding Department cash handling processes. The Department has implemented several critical controls in the cash handling process, including documenting cash handling policies and procedures; restricting access to the safe and cashiering area; restricting authority to void transactions; appropriately segregating duties; and safeguarding cash. However, weaknesses were noted related to timeliness of deposits, transfer of accountability, and check endorsement.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2019045	7/22/2019	Department of Emergency Medicine	The audit objectives were to evaluate Department processes related to billing for physician services, contract monitoring, and travel reimbursements. Overall, the Department has controls in place to ensure travel is pre-approved by management and to ensure revenue contract invoices and payments are accurate and in accordance with contract terms. Additionally, coding and billing staff have access to the appropriate hospital portals to access patient medical records to process billing. However, certain travel reimbursements to Department employees traveling to El Paso for work are not processed in accordance with IRS Regulations. In addition, the billing process does not ensure all services provided at UMC are billed, and several services were billed under an incorrect date of service. Lastly, the Department's contract monitoring process does not ensure expense contract invoices are supported and required reports are submitted.	Incomplete/ongoing  Implementation dates provided by management are at the end of October 2019.
2019042d	7/29/2019	Department of Orthopaedic Surgery and Rehabilitation Cash Controls	The audit objective was to evaluate the internal controls surrounding Department cash handling processes. The	Incomplete/ongoing  Pending verification by the

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Department has implemented some controls in the cash handling process, including separate cash drawers and safeguarding of cash. However, weaknesses were noted related to timeliness of deposits, transfer of accountability, copayment collections, void access, safe access, segregation of duties, cash fund training, and cash handling policies and procedures.	Office of Audit Services.

# Audits Completed

## Angelo State University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2018054	10/26/2018	Distance Education Governance and Security Controls	The objectives of this audit were to examine the governance and institutional policies surrounding ASU's distance education activities and to determine if security controls around its distance education activities comply with governing regulations and standards. ASU's distance education activities are decentralized with each college following its own internal procedures and security controls. The University and colleges have implemented several key security controls relating to the disbursement of Title IV financial aid funds, attendance monitoring, and accessibility. However, management has opportunities to improve and update policies to cover acceptable procedures for student identity verification, attendance monitoring, geographical location verification, academic integrity, and course templates. Additionally, there is an opportunity to enhance oversight and governance of distance education activities through the reestablishment of the Distance Education Council.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2019020	3/7/2019	ASU Foundation, Inc. 2018 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, 2018. 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.
2019032	3/15/2019	Graduate Studies Tuition	The objective of this audit was to determine if board authorized tuition for masters' programs received in fiscal years 2017 and 2018 was spent appropriately. We confirmed board authorized tuition for masters' programs is generally expended in accordance with the requirements of the General	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Appropriations Act and in compliance with established institutional guidelines. Additionally, expenditures comply with state procurement regulations. However, we identified opportunities to formalize and document the allocation methodology and institutional expenditure guidelines to educate financial managers on the acceptable use of funds, and to remove the allocation of board authorized tuition for masters' programs from the Doctor of Physical Therapy program.	
2019046	4/30/2019	Hispanic Serving Institution Grants	The objectives of this audit were to ensure the Title V HSI (Hispanic Serving Institution) STEP West Texas and CREEME grant programs are in compliance with governing federal regulations and the grants' award agreements, and to evaluate assessment methodologies for the CREEME grant for existence and compliance with the award agreement. In general, grant expenditures for the STEP West Texas and CREEME grants are in compliance with governing federal and state regulations, allowable under the grant agreements, and reasonably support the grants' purposes and objectives. Compliance testing and review of \$2,164,403 in grant expenditures identified only \$1,431 in unallowable costs. In addition, there are opportunities to improve compliance and internal controls specific to time and effort reporting and internal formative assessment activities.	Incomplete/ongoing  All but one recommendation have been implemented. The remaining recommendation is in progress, with a revised implementation date in December 2019.
2019033	7/12/2019	Grant Administration Processes	The audit objectives were to determine if controls ensure funds are utilized in compliance with regulatory requirements and grant objectives and to evaluate select aspects of the grant administration process. The scope of our review included current processes and transactions pertaining to federal, state, and private foundation grants active during fiscal years 2017, 2018, and 2019. Grant funding we tested was expended in compliance with regulatory requirements and for the purpose for which it was awarded. Additionally, the University has implemented a variety of policies, internal controls, and	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			processes to facilitate compliance with the requirements of the Office of Management and Budget's <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (commonly called "Uniform Guidance"). However, there are opportunities to improve processes and/or documentation specific to cost share funds, internal service center charges, authorization to repurpose private grant funds, financial managers' responsibility for compliance, and export controls.	
2019083	7/12/2019	Time and Effort Reporting Processes	The audit objective was to determine if ASU's time and effort reporting processes are effectively designed and operating to facilitate compliance with Federal regulations and University policy. While time and effort reporting processes for <u>exempt</u> employees have been properly designed and implemented to ensure compliance with Federal regulations and University policy, processes for <u>non-exempt</u> employees do not effectively facilitate compliance. The Banner Effort Certification module generates an effort report for all necessary individuals, and the compensation distribution percentages within these reports are calculated accurately based on the types of compensation currently included in institutional base salary (IBS); however, the University does not incorporate the correct compensation in calculating IBS. Finally, although training is provided, University processes do not ensure all required individuals receive effort reporting training or retraining as required.	Incomplete/ongoing  All but one recommendation have been implemented. The final recommendation is pending verification by the Office of Audit Services.
2019019	7/15/2019	Carr Scholarship Foundation 2018 Financial Statements	The independent audit firm of Bolinger, Segars, Gilbert & Moss, LLP, performed the annual audit of the Angelo State University Carr Scholarship Foundation for the year ended August 31, 2018. 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.



# Consulting Engagements Completed

## Texas Tech University System and Components

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2019086	7/22/2019	School of Medicine Practice Management System Risk Assessment	<p>The Lubbock, Amarillo, and Permian Basin School of Medicine (School) campuses utilize Centricity Business (Centricity) for practice management of their clinical operations, including patient scheduling, registration, billing, and accounting. Although the campuses utilize separate electronic health record applications, they have historically shared a single practice management system. After the Amarillo campus expressed interest in migrating to a separate practice management system that is integrated with their Allscripts Touchworks electronic health record application, we added this project to our annual plan to assess risks and opportunities relative to Centricity and the potential purchase and implementation of a separate practice management system.</p> <p>While the Amarillo campus anticipates reduced costs and improved efficiency in its processes, implementation of an additional practice management system would increase overall costs to TTUHSC and increase the complexity of School of Medicine financial and management reporting processes. Personnel at the Lubbock and Permian Basin campuses reported that Centricity works well for them overall and provides needed functionality, including providing demographic data needed for outcomes-based reporting. The Lubbock and Permian Basin campuses have adopted processes to take advantage of Centricity workflows and other functionality. Amarillo campus personnel do not believe Centricity works well for them and noted they have difficulty obtaining data needed for outcomes-based reporting. However, the Amarillo campus has not implemented all of Centricity's available functionality, and the majority of data needed for outcomes-based reports is derived from the electronic health record system rather than the practice management system.</p>	No recommendations to implement.

# Consulting Engagements Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Risks and benefits related to Centricity were also identified. Centricity was recently purchased by Athena Health. While most users expect the new owner will implement improvements, there is some uncertainty regarding Athena Health's future plans for Centricity. We did not make recommendations in this risk assessment engagement, but the School of Medicine Dean has indicated Amarillo will not move forward with procuring a new system at this time.	

# Contracting Audits Completed

Senate Bill 65 (86<sup>th</sup> Legislature, Regular Session) requires the State Auditor's Office to assign a level of contract monitoring to each of the 25 largest state agencies in a state fiscal year as determined by the Legislative Budget Board. The rating is based on a variety of factors, including the results of audits of an applicable agency's contracts and contract processes and controls conducted by the agency's internal auditors. To assist in performing this function, the State Auditor's Office has requested the 25 state agencies identify each audit report related to agency contracts and contract processes and controls completed in the last five fiscal years (2015-2019).

Of the Texas Tech University System institutions, Texas Tech University is included in the 25 largest state agencies. The table below lists audit engagements related to contracts and contract processes and controls completed in the last five fiscal years for Texas Tech University.

## Texas Tech University

<b>Fiscal Year</b>	<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Implementation Status</b>
2019	2019021	1/8/2019	Lubbock Power and Light Power Purchase Agreement	No recommendations to implement
2019	N/A	5/28/2019	Construction Project Expenses – TTU Sports Performance Center	Implemented – Auditors verified credit was received for unallowable costs.
2019	2019004	7/29/2019	Contracting and Procurement Processes	Incomplete/ongoing – Based on the implementation date provided by management, it is not yet time to follow up on the contracting training recommendation.
2018	N/A	12/2017	Contractor Selection Process Review: TTU Maedgen Theatre	Implemented
2018	N/A	1/9/2018	Construction Project Expenses – TTU Honors Residence Hall	No recommendations to implement
2018	2018004	7/27/2018	Contracting and Procurement Processes	TTU recommendation is implemented.

# Contracting Audits Completed

<b>Fiscal Year</b>	<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Implementation Status</b>
2018	2017074	2/13/2018	Texas Manufacturing Assistance Center – West Texas	Implemented
2018	2017074b	4/6/2018	Texas Manufacturing Assistance Center – West Texas Travel Reimbursements	Implemented
2017	N/A	2/23/2017	Construction Project Expenses – TTU Maddox Engineering and Research Center	Implemented – Auditors verified credit was received for unallowable costs.
2017	N/A	7/12/2017	Construction Project Expenses – TTU Rawls College of Business Addition	Implemented – Auditors verified credit was received for unallowable costs.
2017	2017004	7/27/2017	Contracting and Procurement Policies	No recommendations to implement
2017	2017071	6/20/2017	Rawls College of Business Vendor Special Review	Implemented
2017	2017073	6/22/2017	Athletics Game Day Merchandising Contract	Implemented
2016	N/A	2/4/2016	Construction Project Expenses – TTU Human Sciences Life Safety Upgrade	Implemented – FP&C verified credit was received for unallowable costs.
2016	2015050	2/29/2016	Construction Project Expenses – TTU Bayer CropScience Research Facility & Greenhouse	Implemented – Auditors verified credit was received for unallowable costs.
2016	2015036	3/7/2016	Construction Project Expenses – TTU Research & Technology Park Phase I	Implemented – Auditors verified credit was received for unallowable costs.
2016	2016004	8/4/2016	Contracting and Procurement Policies	No recommendations to implement

# Contracting Audits Completed

<b>Fiscal Year</b>	<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Implementation Status</b>
2016	2015081b	8/21/2015	Contract Renewal Processes	Implemented
2016	2015081a	9/11/2015	Ovations Contract Compliance	Implemented
2016	2016022	1/29/2016	Intercollegiate Athletics: Learfield Sports Marketing Contract	Implemented
2015	2014025a	12/19/2014	Construction Operational Review – TTU West Village Housing Complex	Implemented
2015	2014025b	1/28/2015	Construction Project Expenses – TTU West Village Housing Complex	Implemented – FP&C verified credit was received for unallowable costs.
2015	2015039	7/22/2015	Vendor Contract Compliance	Implemented
2015	2014076	7/29/2015	Lubbock Power and Light Power Purchase Agreement	Implemented

# External Quality Assurance Review

Our most recent external quality assurance review, dated July 23, 2018, indicates that the Office of Audit Services of Texas Tech University System generally conforms with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* and with *Government Audit Standards* as required by the Texas Internal Auditing Act for the period reviewed. A copy of the report is included on the following pages. Our next external quality assurance review will be conducted during fiscal year 2021.

# External Quality Assurance Review



July 23, 2018

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

Dear Ms. Turner:

We have completed the external quality assurance review of the Office of Audit Services (OAS) at the Texas Tech University System for the three-year period ending June 2018. The objective of the review was to provide reasonable assurance that the internal auditing program conforms to the applicable standards. We addressed this objective through interviews of selected stakeholders to the internal audit function; interviews and surveys of OAS staff members; review of the OAS self-assessment; review of quality control processes; and evaluation of OAS work products from a sample of audit reports issued between October 2016 to July 2017. These activities were performed during and subsequent to our onsite visit on May 6-10, 2018.

Based on the information we received and evaluated, it is our overall opinion that the internal audit function **"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. Additionally, the OAS is held in high regard by its key stakeholders within the System, indicating that the office is accomplishing its mission to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

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

Sincerely,

John Curran, CIA, CGAP (Team Leader)  
Chief Audit Executive  
University of Kansas

Sherri Magnus, CPA, CIA, CFE, CRMA  
Vice President & Chief Audit Officer  
University of Texas MD Anderson Cancer Center

Brian Daniels, CIA, CISA, GCFA, MBA  
Director of Internal Audit  
Virginia Tech

Chris Walker, CIA, CPA, CGMA  
Senior Institutional Audit Director  
University of Arkansas System

cc: Mickey L. Long, Audit Committee Chairman  
Robert L. Duncan, Chancellor

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351 Strong Hall | 1450 Jayhawk Blvd. | Lawrence, KS 66045-7535  
(785) 864-0042 | [www.internalaudit.ku.edu](http://www.internalaudit.ku.edu)

# Other Value-Added Activities

Activity	Impact
Participated in the Enterprise Risk Management (ERM) Committee for Texas Tech University System Administration	Oversaw development of ERM processes to facilitate timely reporting of ERM information to the Board of Regents
Served on the Enterprise Application Executive Steering Committee, Council, and Work Group, and the Enterprise Cognos Reporting Work Group	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the TTUHSC President's Executive Council	Strengthened the partnership and communication with members of TTUHSC executive management regarding strategic direction and current operations
Served on the TTUHSC Institutional Compliance Risk Council	Contributed to the oversight of the TTUHSC Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the TTUHSC Billing Compliance Advisory Committee	Contributed to the oversight of the TTUHSC Billing Compliance Program on the Lubbock campus and provided guidance to the Billing Compliance Officer
Served on the TTUHSC Risk Management Committee	Contributed to institution-wide awareness and communication of risks and risk mitigation strategies
Served on the TTUHSC School of Medicine Performance Improvement Committee	Contributed to the School of Medicine's mission to provide high quality patient care while providing excellence in medical education
Served on the TTUHSC El Paso Institutional Compliance Committee	Contributed to the oversight of the TTUHSC El Paso Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the TTUHSC El Paso Conflict of Interest Committee	Contributed to the oversight of the TTUHSC El Paso Conflicts of Interest and Commitment Program
Participated in implementation meetings for a new travel system at Angelo State University	Contributed to the implementation team's oversight of implementation of the new travel system
Presented fraud prevention training for TTUS, TTU, TTUHSC, TTUHSC El Paso, and ASU employees	Heightened the awareness of fraud indicators, strengthened fraud prevention efforts, and contributed to an ethical environment
Presented control environment and cash controls training for TTUS, TTU, TTUHSC, TTUHSC El Paso, and ASU employees	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Facilitated ethics discussions and presented the Statement of Ethical Principles at TTU new employee orientation events	Increased new employees' understanding of the ethics policy at Texas Tech University and Office of Audit Services' role at Texas Tech University System
Served as members of the Texas Tech Federal Credit Union Board of Directors	Reinforced community relationships and strengthened professional commitments and knowledge base



# Other Value-Added Activities

Activity	Impact
Served as President, 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 member of the Texas Society of Certified Public Accountants (TXCPA) External Relations/Image Issues committee and the Young and Emerging CPAs committee	Contributed to the accounting profession and strengthened knowledge base
Served as Treasurer and board director of the South Plains Chapter of the TXCPA	Contributed to the accounting profession and strengthened knowledge base
Served as the President, Secretary, Membership Chair, Certification Chair, and Website Administrator 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
Performed an independent review of the High Plains Chapter of the IIA's Annual Financial Report	Strengthened professional commitments and knowledge base
Served as the Founding President and Vice 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 Vice President and President 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 TXCPA	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
Serve as a proctor in the TTUS Facilities Planning & Construction contractor selection process	Strengthened the integrity of the selection committee process
Presented information on the internal audit profession to TTU accounting students	Increased students' understanding of the profession of internal auditing
Presented financial best practices to ASU registered student organizations and faculty advisors	Increased faculty and students' understanding of financial best practices and the importance of internal controls
Participated in external quality assurance reviews at University of North Carolina Chapel Hill and California State University System	Strengthened professional commitments and knowledge base

# Annual Plan for Fiscal Year 2020

The annual audit plan for Texas Tech University System for the year ending August 31, 2020, was approved by the Audit Committee of the Board of Regents on August 8, 2019. 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 51 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.

Rider 8, page III-46, the General Appropriations Act (86<sup>th</sup> Legislature) requires higher education institutions to conduct an internal audit of benefits proportional by method of finance for fiscal years 2017 through 2019 using a methodology approved by the State Auditor's Office. The audit is required to be completed no later than August 31, 2020. The Office of Audit Services at Texas Tech University System completed an audit of benefits proportional by fund (#2018005) on April 18, 2018, which included fiscal year 2017. That audit report was submitted to the Legislative Budget Board, Comptroller of Public Accounts, and Texas State Auditor's Office as required. The fiscal year 2020 annual audit plan includes an audit of benefits proportional by method of finance for fiscal years 2018 and 2019. The audit methodology will be verified with the State Auditor's Office, and the audit will be completed by the required date.

The following planned engagements address contract management and other requirements of Senate Bill 20 (84<sup>th</sup> Legislature): TTUS Contracting and Procurement Processes, TTUHSC Correctional Managed Health Care Contract, and ASU Contracting Office.

Texas Tech institutions periodically engage third parties to assess compliance with Texas Administrative Code 202 (TAC 202) standards, assess information security, or conduct penetration testing. This year's annual audit plan includes a planned TAC 202 audit at Texas Tech University.

The annual audit plan for fiscal year 2020 is included on the following pages.

# Annual Plan for Fiscal Year 2020



TEXAS TECH UNIVERSITY SYSTEM

## Office of Audit Services

Annual Audit Plan  
For the Year Ending August 31, 2020

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 8, 2019*

# Annual Plan for Fiscal Year 2020

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# Annual Plan for Fiscal Year 2020

## Transmittal Letter



August 8, 2019

Mr. Ronnie Hammonds  
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, 2020. 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 almost thirty percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Kim Turner".

Kimberly F. Turner, CPA  
Chief Audit Executive

Approved by: Ronnie Hammonds August 8, 2019  
Mr. Ronnie Hammonds

# Annual Plan for Fiscal Year 2020

## Mission Statement



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

# Annual Plan for Fiscal Year 2020

## Quality Assurance Program



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

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



# Annual Plan for Fiscal Year 2020

## 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 2020

## Risk Assessment Process



The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared this audit plan based on the results of a formal risk assessment process.

The risk assessment process undertaken to prepare this annual plan was multi-layered. First, the Texas Tech University System and its institutions are in the early stages of implementing a formal Enterprise Risk Management (ERM) program. In conjunction with this program, management of Texas Tech University System, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso, respectively, provided risk information related to strategic goals and operational processes of the institutions.

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

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

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# Annual Plan for Fiscal Year 2020

## Allocation of Time



Our staff consists of 17 audit professionals. After consideration of estimated time for staff meetings, continuing professional education, holidays, and annual leave, we determined our allocable chargeable time to be approximately 20,500 hours.

Of this time, approximately 2,000 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 2,700 audit hours are needed to complete engagements from the fiscal year 2019 annual audit plan that are in progress at year-end. We have set aside 28 percent of total chargeable time (approximately 5,800 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, service to the profession, institutional committee service, follow-up on prior audits, and special projects. The remaining 10,000 audit hours have been allocated to the projects determined through the risk assessment process. The risk-based engagements as well as the required audits are listed on pages 9-13.

# Annual Plan for Fiscal Year 2020

## Planned Engagements



### Texas Tech University System and Components

CPRIT Grant Funds	External Audit
Contracting and Procurement Processes	Compliance
Benefits Proportional by Fund	Compliance
Texas Tech Foundation, Inc. Financial Statements	External Audit
Regents, Chancellor, and Presidents Travel and Other Expenses	External Audit
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
Clery Act Reporting Processes	Compliance
State Auditor's Office, THECB, and Comptroller's Office Misc. Projects	External Audit
Construction Project Audits	External Audit

# Annual Plan for Fiscal Year 2020

## Planned Engagements (continued)



### Texas Tech University

Student Financial Aid	External Audit
Endowment Spending Accounts	Financial/Compliance
College Reserve Balances	Financial
TAC 202 Information Technology Controls Compliance	IT/Controls/Compliance
Parking Services	Financial/IT
Advising Processes	Operational/IT
Intercollegiate Athletics	Operational/Compliance
Certified Cost Rehabilitation Report – Weeks Hall	Compliance
University Libraries	Financial/Operational
UIL Office	Financial/Controls
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

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# Annual Plan for Fiscal Year 2020

## Planned Engagements (continued)



### Texas Tech University Health Sciences Center

Student Financial Aid  
Amarillo Campus Departments  
Office of the Registrar  
School of Pharmacy  
School of Nursing  
Lubbock Department of Pediatrics  
Mental Health Institute  
Willed Body Program  
Correctional Managed Health Care Contract  
Texas Higher Education Coordinating Board Residency Grants

External  
Financial/Operational  
Operational  
Financial/Operational  
Financial/Operational  
Financial/Operational  
Financial/Controls  
Compliance  
Compliance  
Compliance

# Annual Plan for Fiscal Year 2020

## Planned Engagements (continued)



### Texas Tech University Health Sciences Center El Paso

Information Technology Governance

Physical Plant

MPIP Business Office

Research Safety

Student Financial Aid

GE Centricity EMR Application Controls

Hunt School of Nursing

Institutional Advancement

Texas Higher Education Coordinating Board Residency Grants

Willed Body Program

IT/Governance

IT/Operational

Operational

Operational/Compliance

Compliance

IT/Controls

Financial/Operational

Financial/Controls

Compliance

Compliance

# Annual Plan for Fiscal Year 2020

## Planned Engagements (continued)



### Angelo State University

Contracting Office  
Student Financial Aid  
Office of Institutional Advancement  
Payroll Security and Processes  
Online Giving Processes  
Athletics Financial Agreed-Upon Procedures  
Carr Foundation Financial Statements  
ASU Foundation, Inc. Financial Statements

Operational/Compliance  
Compliance  
Management Advisory  
IT/Controls  
IT/Management Advisory  
External Audit  
External Audit  
External Audit

# Annual Plan for Fiscal Year 2020

## 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

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# Annual Plan for Fiscal Year 2020

## Nature of Work (continued)



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

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

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

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

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# Annual Plan for Fiscal Year 2020

## Audit Process



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

# Annual Plan for Fiscal Year 2020

## 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 with client to communicate audit plans



### Fieldwork & 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
- Issue final report
- Evaluate audit performance
- Follow up on implementation of action plans

# External Audit Services

Institution	Service	Firm
Texas Tech University System and Components	Credit Card, Travel Expenses, and Charter Flights of Board of Regents, Chancellor, and Presidents Agreed-Upon Procedures	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University System	Texas Tech Foundation, Inc. Financial Statement Audit	Bolinger, Segars, Gilbert & Moss, LLP
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 Sports Performance Center ASU Centennial Village Phase II	RSM US LLP RSM US LLP
Texas Tech University	Texas Tech Public Media Financial Statement Audit	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University	Intercollegiate Athletics Agreed-Upon Procedures	Grant Thornton, LLP
Texas Tech University	School of Veterinary Medicine Agreed-Upon Procedures	Grant Thornton, LLP
Texas Tech University	Perkins Loan Program Liquidation Agreed-Upon Procedures	Belt Harris Pechacek, LLLP
Texas Tech University Health Sciences Center	Financial Statement Review	Belt Harris Pechacek, LLLP
Angelo State University	ASU Foundation, Inc. Financial Statement Audit	Armstrong, Backus & Co., LLP

# External Audit Services

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Angelo State University

Robert G. Carr and Nona K. Carr  
Scholarship Foundation  
Financial Statement Audit

Bolinger, Segars, Gilbert & Moss, LLP

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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 (85<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.