



TEXAS TECH UNIVERSITY SYSTEM™



Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2013

Kimberly F. Turner, CPA

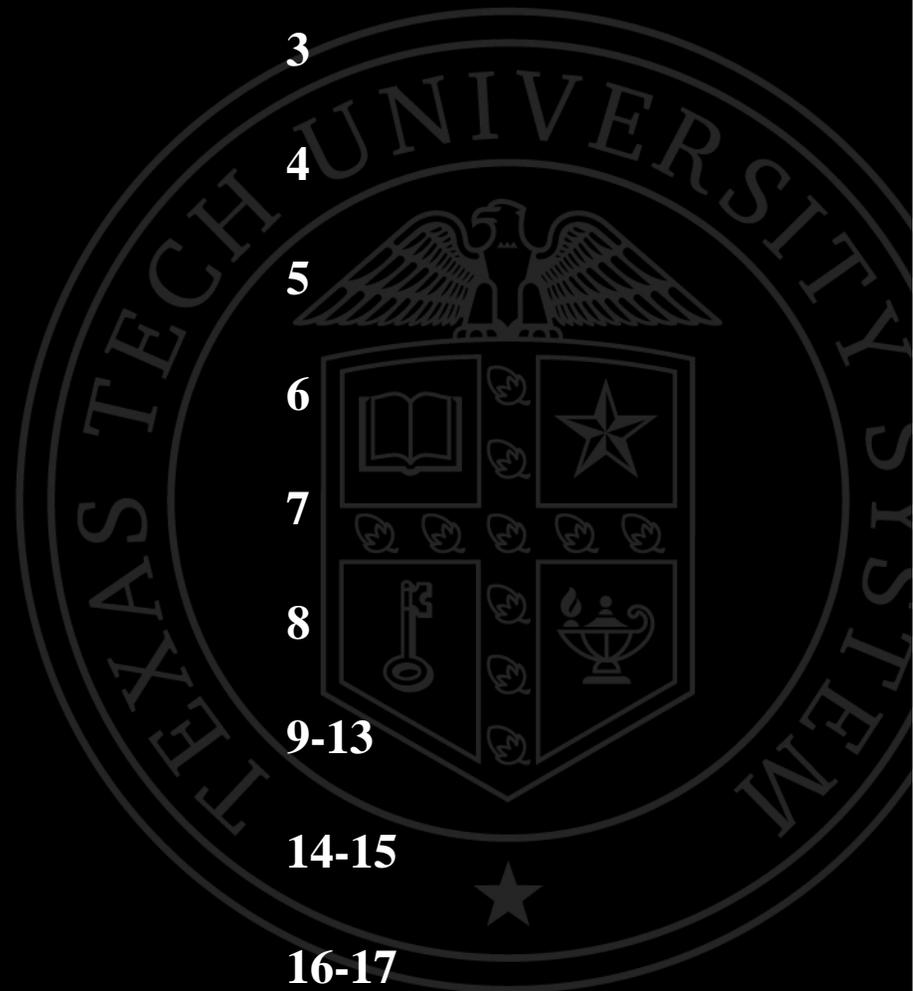
Chief Audit Executive

August 9, 2012

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Transmittal Letter



August 9, 2012

Mr. Rick Francis

Audit Committee Chair, Texas Tech Board of Regents

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2013. The plan includes audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately twenty-five percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,

Kimberly F. Turner, CPA
Chief Audit Executive

Approved by: _____ August 9, 2012
Mr. Rick Francis



Mission Statement

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

Quality Assurance



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

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

Performance Measures



The staff members of the OAS developed goals to encourage excellence and promote accountability. To measure our achievement of those goals, we developed a series of performance measures. We analyze our progress quarterly related to 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.**

Risk Assessment Process



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

The risk assessment process undertaken to prepare this annual plan was multi-layered. First, management of Texas Tech University System (TTUS), Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), and Angelo State University (ASU) respectively, assessed risk across the institutions. The institutions used varying methodologies for development of their risk assessments, but all of the processes included the consideration of strategic goals and related processes.

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

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

Allocation of Time



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

Of this time, approximately 2,100 hours are dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,900 audit hours are needed to complete engagements from the fiscal year 2012 annual audit plan that are in progress at year-end. We have set aside 25 percent of total chargeable time (approximately 5,000 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, follow-up on prior audits, and special projects. The remaining 10,000 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.

Planned Engagements



Texas Tech University System and Components

Payment Card Industry Data Security Standards

Construction Project Expenses

Texas Tech University Foundation

Regents, Chancellor, and Presidents Travel and Other Expenses

Office of Audit Services Annual Report

Office of Audit Services Annual Plan

Office of Audit Services Quality Assurance Activities Review

State Auditor's Office and Comptroller's Office Misc. Projects

Audit Report Follow-Up Procedures and Reporting

IT/Compliance

Financial/Compliance

Financial

Compliance

Compliance

Compliance

Compliance

Miscellaneous

Follow-Up

Planned Engagements (cont.)



Texas Tech University

Institutional Compliance and Ethics Program	Compliance/Operational
Payment Card Industry Data Security Standards	IT/Compliance
Barnes & Noble Contract	Financial/Compliance
Graduate School	IT/Operational/Financial
University Libraries	IT/Operational/Financial
United Spirit Arena Operations	Operational/Financial
President's Office	Management Advisory
Vacation and Sick Leave Reporting	Compliance
Texas Higher Education Coordinating Board ARP Grants	Compliance
Texas Higher Education Coordinating Board Facilities Audit	Compliance
NCAA Rules Compliance Program	Compliance
Athletics Financial Review	Financial
Texas Tech Public Media Financial Statement Audit	Financial
Joint Admission Medical Program Grants	Compliance
Football Attendance Certification	Compliance

Planned Engagements (cont.)



Texas Tech University Health Sciences Center

Institutional Compliance and Ethics Program	Compliance/Operational
Payment Card Industry Data Security Standards	IT/Compliance
Lubbock Clinical Research Administration	Controls/Compliance
Lubbock Department of Ophthalmology	IT/Operational/Financial
Laura W. Bush Institute for Women's Health	Governance/Financial
IDX Services	IT/Operational
Libraries of the Health Sciences	IT/Operational/Financial
Lubbock Graduate School of Biomedical Sciences	Operational/Financial
Lubbock Department of Medical Education	Financial
Texas Higher Education Coordinating Board ARP Grants	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance

Planned Engagements (cont.)



Texas Tech University Health Sciences Center (continued)

El Paso Southwest Endocrine Consultants	Controls
El Paso Gail Greve Hunt School of Nursing	Operational/Financial
El Paso Department of Anesthesiology	Operational/Financial
El Paso Department of Orthopaedic Surgery and Rehabilitation	Operational/Financial
El Paso Clinical Research Administration	Controls/Compliance
El Paso EMR Post-Implementation Review	IT Controls
El Paso Department of Medical Education	Financial

Planned Engagements (cont.)



Angelo State University

Enrollment Management

Office of Business Services and Special Events

HIPAA Compliance

Payment Card Industry Data Security Standards

Payroll Processes

Human Resource Processes

President's Office

Carr Foundation

SACS Financial Statement Review

Operational/Compliance

Operational/Financial

IT Controls/Compliance

Compliance

IT Controls/ Operational

Operational/Compliance

Management Advisory

Financial

Financial

Nature of Work



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

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

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

Nature of Work (cont.)



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

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

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

The Institute of Internal Auditors, International Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2011). pp 29-32

Audit Process



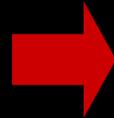
Audits are performed in three general phases: planning, fieldwork, and reporting. As indicated earlier, the success of our efforts is monitored through the completion of self-evaluation questionnaires and the compilation of information to monitor our achievement of performance measures. We believe it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

Audit Process (cont.)



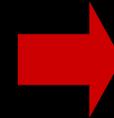
Planning

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



Fieldwork

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Communicate with client on an ongoing basis



Reporting

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



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