

Angelo State University

San Angelo, Texas



Internal Audit Plan

For Fiscal Year
2007

A Member of the Texas Tech University System



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INTRODUCTION

Angelo State University's internal audit program encompasses all University departments, activities processes and functions that are subject to audit from either a financial, management, operational and/or compliance perspective. Having been empowered by the Board of Regents of The Texas Tech University System (TTUS) to audit any University activity he/she considers necessary, the Director of Internal Audit develops a plan that is designed to include a wide range of functions, etc., but does not emphasize any one of the four approaches mentioned above. The objective of this formal exercise is to create an audit plan that will provide assurance to management that controls are adequate and functioning as intended; that there is compliance with University related policies, procedures and regulations no matter what their source and that identified problems are corrected promptly.

Internal audit support at Angelo State University is apparent not only from the President , vice presidents and deans, but also from department heads, director and supervisors as evidenced by their favorable reactions to audit recommendations and requests from them for advice and/or assistance in the resolution of department problems. Most requests focus on a specific problem rather than long range departmental issues and, because of this limited scope of the assignment, are treated as short-range special projects. Occasionally, after an investigation by Internal Audit of the nature of the problem, one of these special projects may be expanded into a full scale assignment for the current or future annual audit plan.

In establishing the audit plan for the ensuing year consideration is given to both the Institute of Internal Auditors' *Standards of the Professional Practice of Internal Auditing* and the United States General Accounting Office's *Government Auditing Standards; The Yellow Book* as well as applicable *Criteria for Accreditation* of the Southern Association of Colleges and Schools. The objectives cited in these publications are similar and pertain to attention to date integrity, security of assets, proper and economical use of resources, achievement of the organization's goals and compliance with policies, regulations and laws. Also effecting the selection and performance of audits are the rules and regulations of the TTUS and the University.

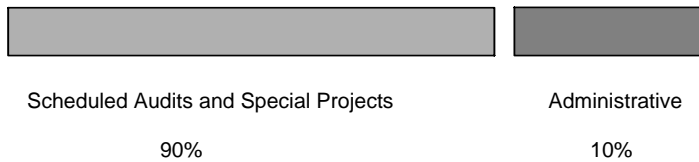
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Audit Time Allocation - Fiscal Year 2007

<u>Classification</u>	<u>Hours</u>	<u>%</u>
<u>Audits</u>		
High Risk	1980	52%
Moderate Risk	570	15%
Management Requests	<u>300</u>	<u>08%</u>
	2850	75%
Special Projects	<u>570</u>	<u>15%</u>
	3420	90%
Admin	<u>380</u>	<u>10%</u>
Total Available	3800	100%
Leave Hours (Holidays, vacation, sick leave)	<u>360</u>	
Total (2 full time employees)	4160	

Audit Time Allocation - FY 2007



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AUDIT PLAN FOR FISCAL YEAR 2007

Audits selected for Fiscal Year 2007, are presented here in alphabetical order, not necessarily according to the degree of risk associated with the function or the department. For 2007 there are no mandatory audits required by the State of Texas, the NCAA nor any other regulatory body.

ACCOUNTS PAYABLE - (160 Hours) An evaluation of the operating routines for approving and processing payments for vendors' invoices including, but not limited to, procedures for validating the authenticity of suppliers, ensuring merchandise has been received prior to payment therefor, verifying the adequacy of safeguards to avoid duplicate payments determining that the University is in compliance with the State's prompt payment law.

ASSET SAFEGUARDING/FIXED ASSETS - (180 Hours) A physical inventory of the fixed assets of various University departments to verify the existence of selected items, confirm that they are identified with a University inventory tag and determine the completeness and accuracy of the campus-wide, annual, fixed asset physical inventory. A review of inter-departmental asset transfers to ascertain that required documentation is processed to properly account for the items in the appropriate departments.

CONTRACT ADMINISTRATION - (200 Hours) An audit of major construction and/or repair contracts to determine that outside contractors have complied with significant provisions as to cost, sub-contractor selection, material specifications, performance and timely completion. The audit will include tests to identify any potential penalties to be charged the contractors for budget overruns or post deadline deliveries of completed projects. A review will be performed to ascertain that University personal are complying with policies relative to approval levels for various contracts payments.

DIVISION OF CONTINUING STUDIES - (100 Hours) A review of the department's operations to evaluate the degree of control over expenditures related to the program, course and workshop scheduling, security of payments received within the department from program participants and staffing adequacy.

FINANCIAL AID - (200 Hours) An audit of student records and financial reporting practices to measure performance against Federal Department of Education and various State of Texas regulations pertaining to financial assistance eligibility, processing of applications, receipt and distribution of funding and other related procedures.

FINE ARTS - (100 Hours) An evaluation of internal operations relative to season ticket and individual performance ticket sales, the security of monies collected from these sources and the control of department property.

COLLEGIATE ATHLETICS - (150 Hours) A test of the Athletic Departments' level of adherence to NCAA By-Laws pertinent to academic eligibility, recruiting activities, athletic event scheduling and related issues including a review of admissions collection controls and equipment expenditures.

INFORMATION TECHNOLOGY - (210 Hours) An evaluation of controls over Internet management; the adequacy of systems support; the procedures to protect against viruses for the security of application systems, programs and data and security measures to prevent hardware tampering or sabotage.

MANAGEMENT REQUEST AUDITS - (240 Hours) A series of management audits of functions or departments selected by the President or vice presidents to identify ways to increase efficiency by the elimination of redundant activities, unnecessary paperwork, the introduction of new procedures, etc.

PHYSICAL PLANT - (250 Hours) An audit of physical inventory controls to confirm proper segregation of the different types of inventory, test the automated inventory control system, evaluate security, substantiate inventory charges, verify prompt relief of inventory balances and ascertain the accuracy of work orders.

PORTER HENDERSON LIBRARY - (110 Hours) A review of department procedures for the issuance and control over books, periodicals and other materials; fines and lost books replacement practices; acquisition policies for the procurement of new books, periodicals and similar items and the use of the library by non-University individuals.

PURCHASING - (180 Hours) An audit of requisition and procurement policies; specifically bidding procedures, vendor selection and evaluation, pricing, order consolidation and other cost saving strategies to determine the adequacy of controls over operating routines. This assignment will include ProCard activities as well as those of the central purchasing function. In addition, tests of procedures to identify any vendors who are University employees will be performed.

RECEIVING - (120 Hours) A review of the operating procedures for recording the receipt of purchased materials including the steps taken for verifying the identity and quantity of the items against purchase orders, the amount of testing for determining the materials meet specifications stated in the purchase order and the routine for accepting overshipments.

RESIDENCE LIVING - (180 Hours) An audit of department housing and board procedures to test applications processing, collections, tracking of residence hall transfers and meal plan changes. Also, a review of delinquency policies to determine the adequacy of collection efforts and to verify the accuracy of data.

STUDENT LIFE - (160 Hours) An evaluation of department programs to determine the extent and appropriateness of activities, their cost and the proper approval and recording thereof. A review of internal procedures to identify any redundant or duplicated operations either with other departments or within Student Life Office.

UNIVERSITY HEALTH CLINIC - (100 Hours) An evaluation of procedures to verify the proper use of personnel, equipment and facilities in health care related activities and to ascertain the adequacy of controls to safeguard patients' medical records.

UTILITIES - (200 Hours) A review of various utility bills to determine the consistency of rates and charges, concentrating on the unauthorized, personal use of University equipment and services.

The duration of each audit is an estimate that may vary due to unanticipated situations that may arise during an assignment requiring more or less time than allocated to satisfy the audit objectives.

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THREE YEAR INTERNAL AUDIT PLAN - 2008 THROUGH 2010

The selection of audit candidates for the next three years is based on the University's functional rotation policy and the Enterprise Risk Assessment model. Assignments are listed in alphabetical order here for ease of identification. These plans are based on the risk assessment for the current year and thus are tentative in that the determination of the impact or probability of risk and the level of controls may change prior to the development of the audit plans for those years.

<u>CLIENT</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Accounts Payable			X
Accounts Receivable Management	X		
Alumni Relations	X		
Asset Safeguarding			X
Billing - Tuition Fees Services	X		
Bookstore		X	
Budget Preparation		X	
Carr Scholarship Foundation		X	
Cash Disbursements	X		
Cash Receipts			X
Continuing Education		X	
Contract Administration			X
Contractual Facilities		X	
Disaster Recovery Planning		X	
Endowment Management	X		
Financial Aid			X
Financial Reporting	X		
Food Service		X	
General Accounting	X		
Grants and Contracts		X	
HEAF Funds	X		
Information Technology			X
Intercollegiate Athletics	X		X
Investments *		X	
Management Audits**	X	X	X
NCAA Athletics ***		X	
News & Publications			X
Payroll Processing	X		
Personnel Management	X		
Physical Plant			X
Porter Henderson Library		X	
Print Shop	X		

Privacy of Information		X	
Purchasing			X
Receiving			X
Recruiting of Students			X
Registrar/Admissions		X	
Residence Living			X
Student Life		X	
Student Records		X	
Student Services			X
Travel			
University Center	X		
University Health Clinic		X	
University Police			
University Post Office	X		
Utilities			X

* This audit is required by the State every two years.

** These audits will be performed as requested by the President, a vice president or a dean.

*** This audit is required by the NCAA every three years.

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ENTERPRISE RISK ASSESSMENT PROCESS

For the past few years the Enterprise Risk Assessment audit planning process currently used by the Angelo State University Internal Audit Department was adopted to replace a weighted risk factor procedure. The Enterprise method requires an analysis of each auditable University function annually as to the Impact and Probability of risk and whether the risk is High, Medium or Low in nature. A rating of High in both Impact and Probability (HH) measurements places the function at the top of the list where as an auditable unit with two Low ratings (LL) would be at the bottom of the list. Control is introduced as a third element to further determine the vulnerability of departments since a function rated as HH, the highest possible rating, with poor control would be more of a risk than a department, also considered HH that had good control.

The process produces numeric results that are prioritized with the High risk functions at the top of the list followed by the Medium and Low risk customers. Departments in the High risk category are usually audited on a three cycle, those in the Medium range follow a five year cycle and the Low risk functions are audited on a time available basis, although a couple departments from this group are normally included in each annual audit plan. The impression is that once this exercise is completed as to the Impact and the Probability calculations it isn't necessary to repeat it in subsequent years, but this is not necessarily a valid assumption. The annual analysis is important because the activities at the University are not static and changes in management philosophy, operating procedures, the extent of automation and many other variable factors would most likely change the original results. Also, the extent of Control in any auditable unit may vary from year to year causing the need of an annual analysis.

The Enterprise Risk Assessment exercise is not the exclusive source of audit assignments. Special requests from the Finance and Audit Committee or Board of Regents of The Texas Tech University System (TTUS) and University management would take precedence over any Assessment selection. Therefore, the plan must include a certain amount of time for unanticipated projects and be flexible enough to substitute one assignment for another if the need arises.

Neither time nor human resources allow that all functions be audited each year and because of these restraints it is important that management recognizes and is willing to accept the risk inherent in using this approach for audit selection.

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AUDIT PLAN FOR FISCAL YEAR 2007

Enterprise Risk Assessment Listing of Potential Audits

<u>High Risk</u>	<u>Last Audit</u>
Financial Aid	2004
Cash Receipts, Management and Handling	2006
Student Records	2003
Investigating Employee Backgrounds	
Carr Scholarship Foundation	2006
Budget Preparation and Maintenance	2005
Endowment Management	
Privacy of Information	2006
Accounts Payable	2004
Billing - Tuition Fees Services	2000
Accounts Receivable Management	2004
Recruiting Students	
Cash Disbursements	2004
Legislative Appropriations	
Utilities	2003
Investments	2006
Disaster Recovery Planning - Information Technology	
Payroll Processing and Reporting	2004
Accreditation	2002
Student Services	2000
Evaluating Employee Performance	2002
Residential Living	2004
NCAA Intercollegiate Athletics and Conference Compliance	2005
Construction	2005
Financial Reporting	
Purchasing	2005
ProCards	2005
General Accounting	
Personnel and Employee Benefit Management and Records	2004

Medium Risk

Grants and Contracts Non Financial Aid	2006
Admissions and Registration	2004
Conflicts of Interest	
Information Security	2006
Asset Safeguarding	2003
Registration for Classes	2000
State Funding Formulas	
Debt Management	
Contractual Facilities	2006
Academic Instruction	
Advising and Counseling	2003
Student Life	2000
Data Base Management	
Physical Plant	2003
Federal Reporting	
Travel	2005
Recruiting Employees	
Office of News and Publication Services	2006
Legislative Performance Measures	
Internet/Network Management	2004
Environmental Health and Safety	
Receiving	2001
Facility Planning	2002
Training of Employees	
Policy Management and Communications	
Graduation	2003
General Maintenance/Grounds/Janitorial	2003
University Police	2002
Post Office	2001
System Support	
Facility Scheduling	2002
Information Security	2000
ProCard Program	2004
Receiving	2001
System Support	
Graduation	2003
Post Office	2001
Registration for Classes	2000
Porter Henderson Library	2004

Low Risk

Employee Retention	
Bookstore	2005
User Support	
International Studies	2003
Research	
State Academic Reporting	
Technology Planning	
Health Clinic	2002
Strategic Planning	
Grading	2003
Risk Management	
Print Shop	1999
Petty Cash	2004
Internal Communications	
Small Business Development Center	2001
Division of Continuing Studies	2000
Food Service	2005
West Texas Training Center	2004
Remedial Instruction	
Fine Arts at ASU	2002
Student Government	
President's Circle	2003