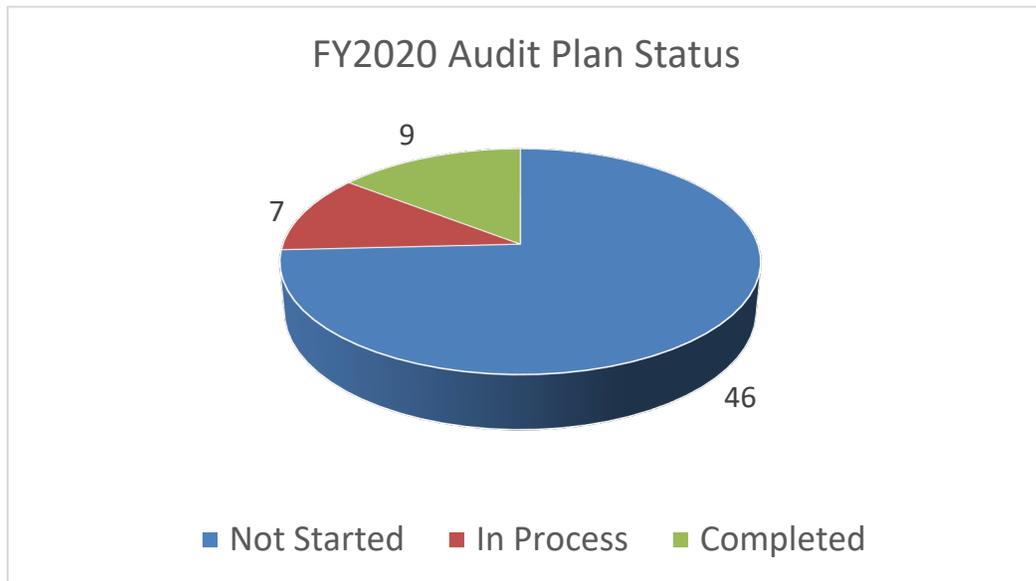Internal Audit Quarterly Report - UM
University of Missouri
September 2020

Status of the FY2020 Rolling Audit Plan

- Nine audits completed
- Seven audits in process
- Forty-six audits not started

The following graph represents the status of the FY2020 Audit Plan.

FY2020 Audit Plan Status

Legend: ■ Not Started ■ In Process ■ Completed

Audit Performance

Internal Audit completed and issued three assurance report since the September 2019 meeting of the Board of Curators.

Internal Audit Assurance Reports	Report Risk Rating
One Card Process, UM System, September 2019	1 2 ③ 4 5
Cardiology PACS System, MU Health, September 2019	1 ② 3 4 5
General Officers' Expense Reports Review, UM System, October 2019	① 2 3 4 5

There is a time-lag between when field work is completed and when a report is issued to provide appropriate time for agreed upon action plans to be written.

February 6, 2020

OPEN – AUD – INFO 1-1

The assurance report includes an executive summary with our assessed level of risk, as well as a summary of issues and management's action plan. An executive summary of this assurance audit is included for your information. The full audit reports are available upon request from the Office of Internal Audit and Consulting Services.

Criteria Used for Assessment of Risk:

5   _**Extreme**_ – Very significant impact to the Institution, campus, or unit. Significantly material in terms of financial impact, external compliance violation, adverse publicity, significant or pervasive weakness in control environment, significant inefficiencies, etc. Typically requires campus and UM System administration along with Board attention to resolve.

4   _**High**_ – Major impact to the Institution, campus, or unit. Material in terms of financial impact, external compliance violation, adverse publicity, significant or pervasive weakness in control environment, significant inefficiencies, etc. Typically requires campus and/or UM System administration to resolve.

3   _**Medium**_ – Moderate in terms of impact to the Institution, campus, or unit. Individual instance or an aggregate of low risk items considered moderate in terms of financial impact, compliance violation, adverse publicity, weakness in control environment, efficiency, etc. Typically requires leadership attention for the selected audit area to resolve with some input from campus and/or UM System administration.

2   _**Low**_ – Minor in terms of impact to the Institution, campus, or unit. Relatively immaterial in terms of financial impact, no external compliance violation, little adverse publicity, minor inefficiencies, etc. Typically limited to leadership of the selected audit area to resolve.

1   _**Negligible**_ – Incidental or no impact to the Institution, campus, or unit. Immaterial or no financial impact, no external compliance violation, no adverse publicity, minor inefficiencies, etc. Typically requires little or no action to resolve.

Internal Audit Summary Report
UM System, One Card Process
September 2019

Report Risk Rating:				
1	2	**3**	4	5

Audit Background

The previously separate travel and purchasing cards were integrated into the One Card program in 2016. The One Card program is designed to provide a more efficient means of making routine purchases and payments by reducing paperwork, allowing for more control at the school or department level, and streamlining the transaction cycle.

A key step in the transition to the One Card program was to move the paper-based reconciliation process from the JPMorgan (JPM) PaymentNet product to an electronic process within the PeopleSoft Travel & Expenses (T&E) module in the Fall of 2017. Moving the process to T&E allowed the utilization of existing electronic workflow approvals and allowed supporting attachments to be scanned and linked to the transaction.

Issues Summary

1. Coordinating audit and analytical reviews currently performed by Supply Chain Analytics, Accounts Payable Shared Services and MU Health will allow increased transparency into trends and issues across the procure to pay cycle.
2. Efficiencies can be gained through adoption of automated data analytic tools and monitoring routines across all procure to pay functions.
3. Training can be enhanced by requiring financially responsible individuals, delegates, and approvers to receive training prior to issuance of a card or assuming review and approval duties and by establishing a consistent process for tracking completion of training. Training would be like that required by cardholders.
4. Opportunity exists to reduce the amount of time for expense report submission and approval and enhance the controls related to transactions processed on cards while the cardholder is on leave.

Management Action Plan Summary

Management is addressing the issues identified. This work will be coordinated with the ongoing implementation efforts identified through the Administrative Review work. After action plans are complete management will have:

1. Developed a data driven monitoring program across One Card and Accounts Payable Shared Services to identify high risk areas, by securing the necessary tools and talent. This data will be utilized to inform and drive monitoring procedures.
2. Developed training for authorized signers. Training is already provided to card holders. Training will be tracked for approvers and card holders in one system.
3. Reduced the amount of time allowed for submission and approval of expense reports and improved communications points to notify card holders and approves that the deadline is approaching.
4. Implemented stricter sanctions for non-compliance with expense report submissions and approval timeline expectations, eliminating the need to delete unapproved expense reports. Implemented a process for monitoring cardholders on leave.

February 6, 2020

Risk Rating Rationale

The approval process for One Cards is appropriately controlled. Opportunities for enhancements that would improve the control environment were identified. Achievement of these enhancements will require leadership support at varying levels across the system.

Internal Audit Summary Report
Cardiology Picture Archiving and Communications System
August 2019

Report Risk Rating:
1 ② 3 4 5

Audit Background

Cardiology Picture Archiving and Communications System (CPACS) is a medical imaging system that provides storage and retrieval of cardiovascular-specific images from various modalities including, but not limited to, cardiac ultrasound and X-ray angiography. The images and associated information are electronic protected health information (ePHI) as defined by the Health Insurance Portability and Accountability Act (HIPAA).

In 2016, Cardiovascular Administration at MU Health Care (MUHC) implemented a new McKesson CPACS to replace the legacy GE system that was being discontinued by the vendor. Because CPACS stores and transmits ePHI, it is Data Classification Level (DCL) 4 according to the UM Information Security (InfoSec) Program. This audit assessed the system's compliance with the InfoSec Program to obtain a high-level understanding of its overall security.

Issues Summary

CPACS is out of compliance with the following areas of the InfoSec Program:

1. Technical configurations. Some technical configurations are not compliant because the InfoSec requirement either does not match the vendor-recommended configuration(s) or the necessary functionality is not supported. Compensating controls are in place to address the risk related to these situations. In addition, some required logs are not preserved. This does not directly affect the security of the system, but rather the potential to detect and investigate issues.

2. The granting and revoking access process is not documented.

3. System and application assessments are not being performed at the appropriate intervals and the system is not enrolled in an Enterprise Vulnerability Scanning (EVS) tool. Note: CPACS was subsequently enrolled in the Cerner/Tiger Institute EVS on July 25, 2019,

3. Business Continuity. The business continuity approach is not documented in accordance with the System Business Continuity Classification (SBCC).

Due to the system's impact on MUHC IT security, the Health Information Security Officer was included in the exit meeting and supports both the audit findings and the management action plans.

Management Action Plan Summary
1. Compensating controls are in place for the technical configurations out of compliance with the Information Security Program. No additional action will be taken.
2. Management will document the process for granting and revoking access to CPACS and include the five requirements of a DCL4 system.

3. EVS enrollment will provide periodic re-assessments. No additional action is required.
4. Management will document the continuity approach in a Business Impact Analysis (BIA).

<u>Risk Rating Rationale</u>
Although CPACS is out of compliance with the InfoSec program in some areas, a risk rating of 2 has been assigned due to existing compensating controls for the technical configuration deficiencies and because the recent EVS enrollment will identify and report system vulnerabilities for remediation going forward.

Internal Audit Summary Report
General Officers' Expense Report Review
October 2019

Audit Background

All employees, including the general officers of the University of Missouri (UM) System, can be reimbursed for expenses incurred while on official University business. Since the UM System is a publicly funded institution, all employees should be good stewards of UM System funds. Further, the general officers set the tone in demonstrating good stewardship. Reimbursement can be claimed for different types of expenses such as business meals, moving, travel, or other miscellaneous expenses. Each type of expense has specific documentation requirements and policies surrounding how the funds can be reimbursed. Expense reports are submitted through the Travel and Expense portal within PeopleSoft. Once the expense reports are approved, the reimbursements are paid to the employee electronically.

Issues Summary

Based on the audit procedures, all expenses reviewed were allowable and the reports were appropriately approved in accordance with applicable policies. Possible enhancements to policies, procedures and associated guidance were discussed with UM System management, but no issues were noted that will require a management action plan.

Management Action Plan Summary

No action plan required.

February 6, 2020

In addition, the Office of Ethics, Compliance and Audit Services completed two investigation, and continues to monitor risks associated with the revenue cycle implementation initiative at MU Health.

Audits Currently in Process

Audit Area	Overall Objective	Status	Risk Area(s)
MU-Grant Effort Reporting	Provide assurance that internal controls related to grant effort verification are adequate to comply with federal Uniform Guidance requirements.	Reporting	Compliance
MU Health – Revenue Generating Physician Contracts	Review of processes to ensure compliance with regulations and operational efficiencies.	Reporting	Compliance, Operations
MU- Lab Safety	Determine if adequate controls are in place to provide safe working conditions for faculty, students and staff who work in labs which house hazardous chemicals.	Reporting	Environmental Health & Safety
UMSL – Lab Safety	Determine if adequate controls are in place to provide safe working conditions for faculty, students and staff who work in labs which house hazardous chemicals.	Planning	Environmental Health & Safety
MU Health - Retail Pharmacies	Review of select financial and operational activities for the retail pharmacies.	Canceled – System is being replaced	Finance, Operations
UM System – Maxient Conduct Manager Security Review	Evaluate the configuration, operation and administration against the requirements of the UM Information Security program.	Fieldwork	Data Security
MU – International Programs Study Abroad	Assessment of controls over study abroad programs through the International Center and other academic units.	Planning	Student Safety, Reputation

In addition, four investigations are currently in process.

FY2021 Risk Assessment Process

The FY2021 risk assessment will continue evaluating risks based on our strategic and business objectives and factoring in industry events and risks. The FY2019 risk assessment involved meeting with various functions across each university, the health system and the system. In FY2020 the risk assessment focused on more in-depth conversations with senior leaders at each campus and the health system to better connect strategic and business initiatives to risks and assess if an audit or consulting project would be of value in moving forward achievement of those initiatives.

This year's process will include management conversations, surveys, and quantitative data to:

- Confirm areas important to achieving major objectives
- Continue understanding the management actions for achieving major strategic and business objectives
- Gather university/school/departmental information about the nature of the work and systems used
- Begin incorporating data to better gauge materiality

The compliance gap analysis/ risk assessment work underway to inform implementation of the Ethics and Compliance program will provide additional information for:

- Research
- Data Security
- Campus Safety
- Environmental Health & Safety

The FY2021 Risk Assessment and adjustments to the Rolling Audit Plan will be presented at the June 2020 Audit Committee for recommendation for approval to the Board of Curators.

System Executive Audit and Compliance Committee

Work is underway with leaders across the UM System to establish an Executive Audit and Compliance Committee. Ethics, Compliance and Audit Services will be responsible to this Committee for work related to establishing the system-wide code of conduct/standards, compliance education and training program, and policy management. This committee will also oversee the risk assessment and internal audit work and have a key role in resolving compliance concerns that impact the overall system.

To stay current with compliance trends and risks across the system, this committee will receive periodic reports in areas such as Conflicts of Interests/Commitments, Investigations, Research Compliance, Healthcare Compliance, Finance Compliance, HR Compliance and other relevant areas.

February 6, 2020

The Chief Audit and Compliance Officer, Executive Director of Compliance and Executive Director of Internal Audit will provide support for this committee. A formal charter will be developed with input from leaders to clearly define roles and responsibilities.

University of Missouri System Board of Curators

January 29, 2020

Audit Committee

Internal Audit and Consulting Report
UM

Summary of Internal Audit Activity Since Sep 2019 Report to the Audit Committee

- Completed three internal audits, two investigations, and continue to monitor risks associated with the revenue cycle implementation initiative at MU Health
- Finalizing three internal audit reports
- Three internal audits in process
- Actively working four investigations
- Canceled the MU Health Retail Pharmacy Audit

One Card Process
UM System

Report Risk Rating:
1 2 **3** 4 5

- ## Summary Observation

  The approval process for One Cards is appropriately controlled with enhancement opportunities for improvements discussed with management

- ## Management Actions

  Management actions will result in improved data analytics monitoring; reduced expense report approval times; stricter sanctions for non-compliance and training.

FY2021 Risk Assessment

- Continue assessing risks based on strategic and business objectives

- Factor in industry risks and events

- Achieve through management conversations, surveys and qualitative data

Present to the June Audit Committee for recommendation and approval to the Board of Curators

Executive Audit and Compliance Committee

- Discussions underway for establishing this committee
- Oversee initial work to establish the system-wide code of conduct, compliance education and training, and policy management
- Will receive periodic reports from compliance functions
- Plays a key role in resolving compliance concerns that rise to a system level

Chief Audit and Compliance Officer, Executive Director Compliance and Executive Director Internal Audit will staff and support this committee

2019 Integrity and Accountability Hotline

Continue improving benchmarks by:

- Raising employee awareness and responsibility to report issues

- Educating managers on how to respond to issues raised directly with them

- Ensuring a disciplined and consistent approach to investigating, analyzing, and resolving reported issues

- Developing a holistic view of issues across the UM System to spot areas of consistent concern

Questions?