

External Auditor's Report
UM

At the February 6, 2020 Board of Curators meeting, Rachel Dwiggin, Partner with BKD, LLP will present a summary of the FY 2019 Financial Statement Audit, NCAA Agreed Upon Procedures, and the audit scope for fiscal year 2020.

The University of Missouri 2019 financial statement audit was completed on October 15, 2019. The Board of Curators will be provided with an overview of the audit results and the required communication as a part of the audit.

The University of Missouri NCAA Agreed Upon Procedures Reports ("NCAA Reports") for fiscal year 2019 were completed by the January 15th deadline. The reports are available upon request.

The Fiscal Year 2020 Audit Scope presentation will provide an overview of scope of audit services, audit timeline, preliminary risk assessments and discussion on implementation of new accounting pronouncements effective for fiscal year ended June 30, 2020.

University of Missouri System

Report to the Board of Curators, Audit Committee and Management

October 15, 2019

Results of the 2019 financial statement audit and other required
communications



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Management Representation Letter & Schedule of Uncorrected Misstatements	Attachment
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October 15, 2019

The Board of Curators, Audit Committee and Management
University of Missouri System
Columbia, Missouri

Dear Board of Curators, Audit Committee and Management:

We have completed our audit of the financial statements of the business-type activities and the fiduciary activities of the University of Missouri System (collectively referred to as the “System”), as of and for the year ended June 30, 2019. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the System. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2019, financial statements and supplementary information of the System
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management’s financial reporting and disclosure process

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for the higher education and health care environments.

This communication is intended solely for the information and use of management, the Board of Curators, the Audit Committee and others within the System and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Rachel Dwiggins
Partner

Summary of Our Audit Approach & Results

Our Approach

BKD’s audit approach focuses on areas of higher risk—the unique characteristics of the System’s operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
<ul style="list-style-type: none"> • <i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the System. 	<ul style="list-style-type: none"> ➡ No matters are reportable.
<ul style="list-style-type: none"> • <i>Revenue recognition</i> – The risk that revenue is improperly categorized or recorded in the improper period. This risk includes timing of recognition of tuition and fee revenue and the consideration of the allowance for doubtful accounts. 	<ul style="list-style-type: none"> ➡ No matters are reportable.
<ul style="list-style-type: none"> • <i>Revenue recognition (health system)</i> – The risk that revenue is improperly categorized or recorded in the improper period. This risk includes consideration of the allowance for doubtful accounts, contractual allowances and consideration of amounts due to/from third-party payers. 	<ul style="list-style-type: none"> ➡ No matters are reportable.
<ul style="list-style-type: none"> • <i>Valuation of investments</i> – The assumptions and methods used by management to value difficult-to-value investments, such as alternative investments and the related derivative instrument liabilities. 	<ul style="list-style-type: none"> ➡ No matters are reportable.
<ul style="list-style-type: none"> • <i>Net position classification</i> – The risk that management has improperly classified ending net position. 	<ul style="list-style-type: none"> ➡ No matters are reportable.

Significant Estimates

The preparation of the financial statements requires considerable judgment because some assets, liabilities, revenues and expenses are “estimated” based on management’s assumptions about future outcomes. Estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management’s estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements. The following are considered to be significant estimates for the System:

- **Third-party Reimbursement** – Net operating revenues include management’s estimates of amounts to be reimbursed by third parties. Amounts received for patient billings are generally less than amounts billed. The difference between what is billed and expected to be received is recorded through contractual adjustments. Management’s process of estimating amounts to be received from third parties requires estimation based on payer classification, historical data and payer contract provisions. Estimates of third-party reimbursements also include management assumptions about uncertainties in health care reform, payer mix and state of the economy.
- **Allowance for Doubtful Accounts** – Primary collection risks related to patient accounts receivable include uninsured patients and patient balances where the insurance payer did not pay the entire balance. Management’s estimate for allowance for doubtful accounts is based on historical collection, payer mix and anticipated trends. Similar to third-party reimbursements, management assumptions about the economy and types of payers affect the estimation of allowance for doubtful accounts.
- **Valuation of Investment Securities** – Management values investments at fair value as of the balance sheet date. Accounting standards define fair value as the price that would be received to sell a financial asset in an orderly transaction between market participants at the measurement date. Investments are valued using quoted market prices or third-party sources, including appraisers and valuation specialists, when available.
- **Accrual for Malpractice Claims, General Liability Claims, Health Claims and Workers’ Compensation Claims** – These liability claims are based on estimates of known claims and estimates for incurred but not reported claims. Management estimates the liability based on specific claim facts, historical claim reporting and actuarial assumptions.
- **Defined Benefit Pension and Other Postemployment Benefit Plan Assumptions** – Assumptions are based on actuarial valuations based on age of participants, past history of the System and expected future return on investments.

Opinion

Unmodified, or “Clean,” Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the business-type activities and the fiduciary activities of the System, as of and for the year ended June 30, 2019, are fairly presented, in all material respects.

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management’s financial reporting and disclosure process. Below, we summarize these required communications.

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
<p>Significant Accounting Policies</p> <p>Significant accounting policies are described in <i>Note 1</i> of the financial statements.</p>	<ul style="list-style-type: none"> • GASB Statement No. 83, <i>Certain Asset Retirement Obligations</i>, was adopted during the fiscal year ended June 30, 2019
<p>Alternative Accounting Treatments</p> <p>We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • No matters are reportable

Area	Comments
<p>Management Judgments & Accounting Estimates</p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • Refer to Significant Estimates section of this report
<p>Financial Statement Disclosures</p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<ul style="list-style-type: none"> • Fair Value of Assets and Liabilities • Retirement, Disability and Death Benefit Plan • Other Postemployment Benefits
<p>Audit Adjustments</p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.</p>	<p>Areas in which adjustments were proposed include:</p> <p><u>Proposed Audit Adjustments Recorded</u></p> <ul style="list-style-type: none"> • No matters are reportable <p><u>Proposed Audit Adjustments Not Recorded</u></p> <p>See attached for a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>
<p>Auditor’s Judgments About the Quality of the System’s Accounting Policies</p> <p>During the course of the audit, we made observations regarding the System’s application of accounting principles listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • No matters are reportable

Area	Comments
<p>Other Information in Documents Containing Audited Financial Statements</p> <p>The audited financial statements are included in the System’s annual report. As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management’s attention and review subsequent revisions.</p>	<ul style="list-style-type: none">• No matters are reportable

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (*attached*)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.



Networking and Learning Opportunities

Event	Date
Kansas City CFO Seminar	October 24, 2019
Not-for-Profit, Higher Education & Public Sector Day Long Seminar	January 9, 2020
Higher Education Roundtable with colleges and universities throughout the region	February 2020

* * * * *

This communication is intended solely for the information and use of management, the Board of Curators, the Audit Committee and others within the System and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
October 15, 2019

October 15, 2019



BKD, LLP

Certified Public Accountants
1201 Walnut Street, Suite 1700
Kansas City, Missouri 64106-2246

To Whom It May Concern:

We are providing this letter in connection with your audits of our financial statements as of and for the year ended June 30, 2019 and 2018. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated April 10, 2019, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.

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- (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
- (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
8. We have no knowledge of any known or suspected:
- (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the University of Missouri System ("System") received in communications from employees, customers, regulators, suppliers or others.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
11. Except as reflected in the financial statements, there are no:
- (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

- (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the System is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We have no reason to believe the System owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
15. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the University of Missouri System's participation in the Medicare or other governmental health care programs.
16. Adequate provisions and allowances have been accrued for any material losses from:
- (a) Uncollectible receivables.
 - (b) Reducing obsolete or excess inventories to estimated net realizable value.
 - (c) Sales commitments, including those unable to be fulfilled.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
 - (e) Medicare/Medicaid and other third-party contractual, audit or other adjustments.

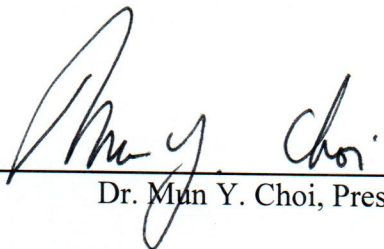
17. Except as disclosed in the financial statements, we have:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. With respect to the System's possible exposure to past or future medical malpractice assertions:
 - (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
 - (b) All known incidents have been appropriately considered in our medical malpractice liability accrual.
 - (c) We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.
19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
20. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
21. With regard to deposit and investment activities:
 - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
22. With respect to any nonattest services you have provided us during the year, including agreed-upon procedures in connection with the Health System's compliance with specified terms of the Corporate Integrity Agreement with the Office of the Inspector General:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

- (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
23. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
24. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
25. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
26. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
27. We have a process to track the status of audit findings and recommendations.
28. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
29. With regard to federal awards programs, we have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
30. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

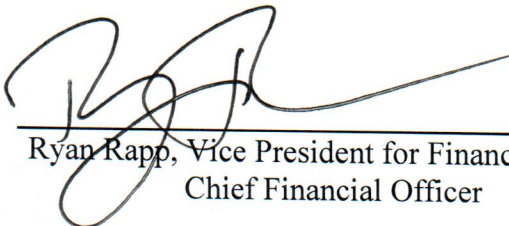
31. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
32. We identified two material Asset Retirement Obligations under GASB 83 related to our nuclear research reactors. Outside of these two asset retirement obligations we believe there are no additional asset retirement obligations as defined by GASB 83.
33. We evaluated a cyber-security attack at the Hospital for potential loss contingency related to exposure of personal health information (PHI). We informed all individuals with PHI that was potentially exposed. We determined that no accrual was required at June 30, 2019 for potential losses associated with the cyber attack. The System maintains a cyber security policy with a \$500,000 deductible and \$30 million insured coverage for potential losses. The carrier has accepted the claim for any potential losses.
34. The supplementary information required by the Governmental Accounting Standards Board (GASB), consisting of management's discussion and analysis, pension and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
35. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
36. With regard to cost reports filed with Medicare, Medicaid or other third parties:
 - (a) All required reports have been properly filed.
 - (b) Management is responsible for the accuracy and propriety of those reports.
 - (c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

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- (d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - (e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
 - (f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.
37. With regard to supplementary information:
- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.



Dr. Mun Y. Choi, President



Ryan Rapp, Vice President for Finance and
Chief Financial Officer

University of Missouri System

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	1,392,504	(1,876)	1,390,628	-0.13%
Non-Current Assets & Deferred Outflows	7,913,472	10,611	7,924,083	0.13%
Current Liabilities	(1,508,427)	(5,432)	(1,513,859)	0.36%
Non-Current Liabilities & Deferred Inflows	(2,750,163)		(2,750,163)	
Current Ratio	0.92		0.92	-0.43%
Total Assets & Deferred Outflows	9,305,976	8,735	9,314,711	0.09%
Total Liabilities & Deferred Inflows	(4,258,590)	(5,432)	(4,264,022)	0.13%
Total Net Position	(5,047,386)	(3,303)	(5,050,689)	0.07%
Total Revenue	(3,860,548)	4,039	(3,856,509)	-0.10%
Total Expense	3,681,556	1,008	3,682,564	0.03%
Change in Net Position	(178,992)	5,047	(173,945)	-2.82%

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		Total Revenue			Total Expense			Net Position		Net Effect on Following Year	
			Current	Non-Current	Current	Non-Current	DR (CR)		DR (CR)		DR (CR)		Change in Net Position	Net Position		
			DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)			
Investment AJE & RJE- MV Rollforward		F	0	10,611	0	0	3,236	0	(13,847)	10,611	(10,611)					
Aggregation of GAAP Exceptions		F	2,523	0	(6,480)	0	803	(2,343)	5,497	(3,957)	3,957					
	Operating Expenses							8,277								
	PY Turnaroud						5,123	(10,620)	5,497							
IBNR Reserve Calculation		J	0	0	(1,652)	0	0	1,652	0	0	0					
	Operating Expense							1,652								
	IBNR Reserve				(1,652)											
Reclassify patient refunds		F	2,700	0	(2,700)	0	0	0	0	0	0					
	Patient receivables		2,700													
	Accounts payable				(2,700)											
Adjust hospital inventory for projected inventory observation differences		P	(1,699)	0	0	0	0	1,699	0	0	0					
	Supplies expense							1,699								
	Inventory		(1,699)													
Reclassify third party settlements		F	(5,400)	0	5,400	0	0	0	0	0	0					
	Accounts payable				5,400											
	Other receivables		(5,400)													
Total passed adjustments			(1,876)	10,611	(5,432)	0	4,039	1,008	(8,350)	6,654	(6,654)					
												Impact on Change in Net Position	5,047			
												Impact on Net Position	(3,303)			

University of Missouri System

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Pension & OPEb

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	4,072,419	2,965	4,075,384	0.07%
Total Liabilities	(276,580)		(276,580)	
Total Net Position	(3,795,839)	(2,965)	(3,798,804)	0.08%
Additions	(360,533)	(2,965)	(363,498)	0.82%
Deductions	284,133		284,133	
Change in Net Position	(76,400)	(2,965)	(79,365)	3.88%

Client: University of Missouri System

Period Ending: June 30, 2019

Pension & OPEb

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred		Liabilities &		Fund Balance			Net Effect on Following Year		
			Outflows		Deferred Inflows		Additions		Deductions		Change in Net	Fund
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	Position	Balance
MV Change in Alt Investments		F	2,965	0	(2,965)	0	0	0	2,965	(2,965)		
			0	0	0	0	0	0	0	0		
Total passed adjustments			<u>2,965</u>	<u>0</u>	<u>(2,965)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,965</u>	<u>(2,965)</u>		
					Impact on Change in Net Position		(2,965)					
					Impact on Fund Balance		(2,965)					



University of Missouri System

Board of Curators

Rachel Dwiggin, CPA

OPEN – AUD – INFO 3-22

February 6, 2020

BKD

OUR GOALS FOR TODAY

1

2019 Audit Results

2

NCAA Agreed-Upon Procedures Results

3

2020 External Audit Scope

AUDIT APPROACH

- Financial reporting
 - U.S. Generally Accepted Accounting Principles
- Auditing standards
 - Auditing standards generally accepted in the United States of America
 - *Government Auditing Standards*
- Compliance
 - Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

AUDIT APPROACH

- Audit of financial statements of
 - University of Missouri System
 - Capital Region Medical Center
- Objective
 - Express opinion on conformity of financial statements, in all material respects, with accounting principles generally accepted in the United States of America

AREAS OF AUDIT EMPHASIS

- Communicated during planning

Risk Area	Results
Management override of controls	No matters are reportable.
Revenue recognition	No matters are reportable.
Revenue recognition (health system)	No matters are reportable.
Valuation of investments	No matters are reportable.
Net position classifications	No matters are reportable.

SIGNIFICANT ESTIMATES

- Third-party Reimbursement
- Allowance for Doubtful Accounts
- Valuation of Investment Securities
- Accruals
 - Malpractice Claims
 - General Liability Claims
 - Health Claims
 - Workers' Compensation Claims
- Defined Benefit Pension & Other Postemployment Benefit Plan Assumptions

REQUIRED COMMUNICATIONS

- Communicated during planning

Area	Comments
Significant Accounting Policies	Described in Note 1 of the financial statements. GASB 83 was adopted during fiscal year 2019.
Alternative Accounting Treatments	No matters are reportable.
Financial Statement Disclosures	<ul style="list-style-type: none">• Fair Value of Assets and Liabilities• Retirement, Disability & Death Benefit Plan• Other Postemployment Benefits
Auditor's Judgments About the Quality of the System's Accounting Policies	No matters are reportable.

REQUIRED COMMUNICATIONS – CONT.

Area	Comments
Audit Adjustments	<p>Proposed audit adjustments recorded:</p> <ul style="list-style-type: none">• None <p>Proposed audit adjustments not recorded:</p> <p><u>System:</u></p> <ul style="list-style-type: none">• Change in fair value of alternative investments – current year and prior year turnaround• IBNR Reserve calculation• Reclassify patient refunds and third party settlements• Hospital inventory for projected differences• Aggregate of other immaterial items <p><u>Pension Trust Funds</u> (Aggregate Remaining Fund opinion unit):</p> <ul style="list-style-type: none">• Change in fair value of alternative investments – prior year turnaround

OTHER DELIVERABLES

Issued

- Financial Statements of Capital Region Medical Center
- Report on Debt Compliance of Capital Region Medical Center
- NCAA Agreed-Upon Procedures (Columbia and Kansas City campuses)



To be Issued

- Single Audit report in accordance with Uniform Guidance

REPORT OPINIONS

Independent Auditor's Report –
Unmodified Opinions

Independent Auditor's Report
on Internal Control Over
Financial Reporting and on
Compliance and Other Matters
Based on an Audit of the
Financial Statements
Performed in Accordance with
Government Auditing Standards

NCAA AGREED-UPON PROCEDURES RESULTS

Division I Institutions

- Required annually

Division II Institutions

- Required every three years

- Performed for Columbia and Kansas City campuses in 2019 (St. Louis and S&T was performed in 2018)

2020 EXTERNAL AUDIT SCOPE

1 Engagements

2 Audit Timeline

3 Audit Approach

4 Appendix: Personnel

5 Questions

ENGAGEMENTS

- Audit of financial statements of
 - University of Missouri System
 - Capital Region Medical Center
- Single Audit in accordance with OMB Uniform Guidance
- Minimum Agreed-Upon Procedures required by NCAA for
 - Columbia
 - Kansas City



AUDIT TIMELINE

- Preliminary audit work
 - Pre-audit planning meeting – Spring 2020
 - Interim procedures, risk assessment & other planning – May 2020
 - Student financial aid testing – July 2020
- Final audit work
 - Fieldwork procedures – August/September/October 2020
 - Issuance of financial statement audits – October 2020
 - Additional federal program testing – October 2020 – January 2021
- NCAA procedures – November/December 2020

AUDIT APPROACH – APPLICABLE FRAMEWORK

Financial Reporting

- U.S. Generally Accepted Accounting Principles

Auditing Standards

- Auditing standards generally accepted in the United States of America
- *Government Auditing Standards*

Compliance

- Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

AUDIT APPROACH – PLANNING

- Risk assessment
 - Obtain an understanding of business & business environment
 - Interviews with management
 - Review of Board minutes & presentations
 - Evaluate where financial statements might be susceptible to material misstatement or fraud
 - Consider internal controls over financial reporting & whether they have been implemented
 - Perform walkthrough tests of controls
 - Review duties of employees for issues in control structure
 - Assess risk of material misstatement for significant financial statement amounts and disclosures

AUDIT APPROACH – PRELIMINARY RISK ASSESSMENT

- Financial Statement
 - Valuation of investments
 - Revenue recognition
 - Valuation of receivables & third-party payors
 - Presentation of net position
- Other
 - Compliance
 - Risk management
- Risk assessment procedures may identify others

AUDIT APPROACH – NEW STANDARDS

GASB No. 84, *Fiduciary Activities*

- The System has already begun the implementation process and evaluating potential impacts

GASB No. 90, *Majority Equity Interests*

- The System is in the process of evaluating any potential impact

APPENDIX – BKD AUDIT PERSONNEL & ROLES

Name	Role	Contact Details
Abe Cole	Client Relationship Partner	Phone: 816.701.0226 E-mail: acole@bkd.com
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Questions?

Thank You!