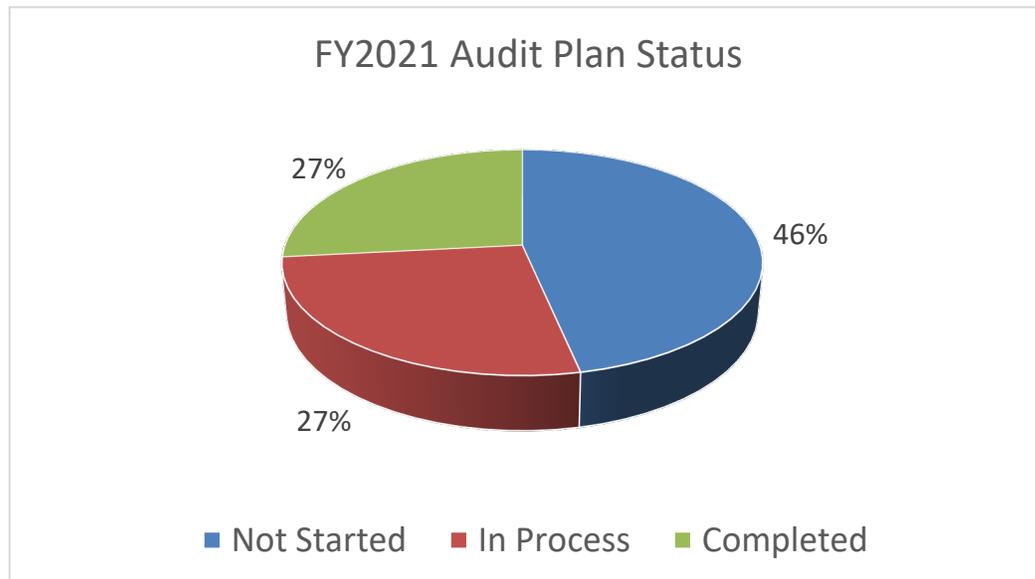


Audit, Compliance and Ethics Quarterly Report UM

Status of the FY2021 Annual Audit Plan

- Five audits completed
- Three consulting engagements completed
- Eight audits/consulting projects in process
- Fourteen audits/consulting projects not started

The following graph represents the status of the FY2021 Audit Plan.



Audit Performance

The overall objective of our audit and compliance plans continue to be aligning strategically with a focus on high risk areas and compliance gaps. Audit and compliance staff remain available to be redeployed for:

- Gap analysis
- Understanding workflow
- Assisting in re-engineering of processes

Since the September 2020 meeting of the Audit Committee, Internal Audit completed five audits and six investigations.

Internal Audit Assurance Reports	Report Risk Rating
Conflict of Interest Process, MU, August 2020	
Data Center Operations, MU, September 2020	

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.

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.

February 4, 2021

**Internal Audit Summary Report
MU, Conflict of Interest Process
August 2020**



Background

Academic universities benefit from participation in outside activities which can enhance research, teaching, and funding. These outside activities and/or outside financial interests can pose conflicts of interest if not properly identified or managed.

MU manages the conflict of interest disclosure process through the Conflict of Interest (COI) Office within the Office of Research and Economic Development. The COI Office works closely with the Conflict of Interest Committee to analyze potential conflicts and manage outside interests. The COI Office utilizes the eCompliance information system as the key method for collecting disclosures and tracking outside interests.

Issues Summary

1. The processes for reviewing and managing disclosed conflicts are inconsistent, not aligned with those having the authority to ensure compliance, and behind in establishing oversight management plans.
2. New outside interests are not always disclosed at the point they arise placing the university at risk of losing funding.
3. The university does not have a process for new employees to receive training on COI disclosure requirements, and the eCompliance system does not send new employees disclosure notifications at the point of hire.

Management Action Plan Summary

1. The process for developing and managing oversight management plans has been revised so supervisors are responsible for these activities with assistance from subject matter experts.
2. For high risk conflict of interest areas, oversight management plans will be implemented at the front-end of the research engagement.
3. Annual conflicts of interest and commitment training will become part of the mandatory compliance and new hire training.
4. A “New Hire Notification” process to complete the disclosure form has been implemented. Internal Audit will validate it is working as intended.

Risk Rating Rationale

Managing conflicts to reduce risk is the intended outcome of a conflict of interest process. Unidentified and unmanaged risks could lead to loss of research funding and increased legal exposure.

February 4, 2021

**Internal Audit Summary Report
MU, Data Center Operations
September 2020**



Background

A data center is a specialized facility for housing information technology- (IT) and telecommunications (telecom) -related systems, equipment, and infrastructure. Typical data center features include continuous monitoring of IT and telecom system status; continuous monitoring of utility services and environmental conditions; fire suppression customized for the environment; redundant utility and communication connections; large cooling systems, and; physical security measures such as cameras, card swipes and access lists.

The approximately 6,000 square foot Data Center is operated by the MU Division of Information Technology (DoIT) and houses critical infrastructure and systems that support not only the MU campus but also core services used by the entire University system. A small number of non-University organizations have also contracted with the University to house their own separate systems in the facility.

Issues Summary

1. The MU Data Center (MUDC) has Disaster Recovery/Business Continuity (DR/BC) plans, but, as with many other departments throughout the University, they have not been updated recently. There are many dependencies between the various departments in DoIT, as well as MU and UM System departments, so it would not be effective or efficient for the MUDC DR/BC plans to be updated independently.
2. Documentation of the MUDC policies, procedures and significant operational events should be updated and/or improved to reflect current state and to facilitate easier access to key data and metrics.

Management Action Plan Summary

1. The UM System Emergency Management Office will lead and coordinate enterprise DR/BC activities. This is included on the Enterprise Risk Tracker maintained by Ethics, Compliance and Audit Services.
2. Management will document all critical equipment and systems change and maintenance activities. Management will also review and update all policies, procedures and corresponding revision dates.

Risk Rating Rationale

Improving departmental documentation will help ensure consistent operations as well as helping to minimize the disruption of personnel changes. This can be addressed by departmental leadership. The broader issue of DR/BC plans will be addressed across the UM System.

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Validation Work Performed

Analysis of MUHC Rate Setting Methodology for the UM Benefits Health Plans

The Office of Ethics, Compliance and Audit Services was asked to review the methodology used by MU Healthcare (MUHC) and University Physicians (UP) to set the rates for services provided to enrollees of the UM Benefits health plans (the PPO, Healthy Savings and Custom Network Plans) to validate if discounts are consistent with contractual obligations. During the engagement, the methodology to calculate discounts was changed to a simpler process that can be more easily verified by all parties involved.

We concluded that the proposed methodology for setting the University rate schedules is simpler and more transparent, with the potential of discounts retrospectively validated by the third-party administrator.

UMSL Audits Related to Grant Funding

Two audits were performed for the Children's Advocacy Center and Behavioral Health to validate the appropriate use of funds received from two counties in the St. Louis greater metropolitan area.

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Audits and Consulting Engagements Currently in Process

Audit Area	Overall Objective	Status	Risk Area(s)
MUH – EMR Extension to Lake Regional	Organized Health Care Arrangement (OHCA) post-implementation review	Fieldwork	Compliance
MS&T – 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.	Fieldwork	Compliance
System – Benefits payroll process	ADDED - Test controls over the benefits payroll process. This audit was the result of a consulting engagement to map the benefits payroll process for HR and finance and evaluate controls.	Fieldwork	Operations
MOREnet	ADDED - Compliance audit of the E-Rates program.	Planning	Compliance
System – COVID Relief and GEER Funds compliance support	In collaboration with the system controller’s office, developing and providing compliance guidance for the CFR and GEERs funding.	Ongoing	Compliance
MUH – Revenue Cycle Cash Reconciliation Process	As part of the revenue cycle implementation project, evaluate the cash reconciliation process changes to accommodate the shift to the Cerner admissions/registration module.	Reporting	Operations

In addition, two investigations and two assurance audits under attorney client privilege are in process.

Foundational Elements of the UM System Ethics and Compliance Program

The following foundational elements were presented at the June 2020 Audit, Compliance and Ethics Committee as priorities for FY2021. Ethics and Compliance continues to balance responding to emerging compliance issues and concerns with establishing the foundational elements.

Establish the system-wide audit and compliance committee

This committee will oversee initial work to establish the system-wide code of conduct, compliance education and training, and core compliance policies. To fulfill its responsibilities the committee will receive periodic reports from compliance functions, audit reports and risk assessment results. The committee will play a key role in resolving compliance concerns that impact the system and are challenging to resolve at a unit level. The Chief Audit and Compliance Officer will provide the committee, once appointed, with a draft charter defining purpose, roles and responsibilities, authority, and frequency of meetings for the committee to modify and finalize.

Status: Work is in progress to establish this committee by April 2020.

Develop and implement the code of conduct

A system-wide code of conduct will establish every day behavior expected to support our mission and values. It is a statement for ourselves and to the public about what we stand for, our values and how we conduct ourselves. It is the ethical foundation for our success in achieving our mission and living our values. Content will be the same across each university. The graphical design, mission, vision and values will vary to reflect the uniqueness, look and feel of each university.

Status:

- **Graphic design for the University of Missouri – Columbia and code content for all universities has been developed with first revision changes submitted.**
- **Vetting of content will begin with subject matter experts, faculty and staff in February at all universities.**
- **Rollout is on target for implementation by end of summer 2021.**

Engaging Compliance Professionals in a Collaborative Network

Working with compliance professionals across the system, an assessment will be completed gauging the strengths and opportunities for improvement using the Seven Elements of an Effective Compliance Program. This assessment will also include understanding how changes to regulations are tracked and adjustments to procedures and practices are implemented (regulatory change management). These working relationships

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and assessments will provide guidance for achieving economies of scale by working collaboratively across units to establish consistent policies, practices, monitoring, investigations, discipline and reporting of metrics to gauge effectiveness. The three priority areas of focus are:

Research Compliance and Grant Management

This is a priority area of focus because of the importance of research to the strategic direction of the UM System. Collaborative work has begun in this area with a recognition that we have an opportunity to approach research compliance consistently across the UM System. The work in this area will provide the opportunity to:

- Understand the highest risk areas and how we are addressing concerns
- Validate the regulatory change management process for research
- Standardize operating practices in regulatory areas across the system
- Continue to build on collaborative relationships to extend expertise across the system
- Explore providing consistent compliance education and training for those involved in research activities across the system
- Develop metrics and reporting that provides transparency into the number of compliance concerns, types and substantiation rate for leadership and the Audit, Compliance and Ethics Committee of the Board.

Status: Export control expertise has been extended to all universities in the UM System. Efforts are shifting to understanding the highest risk areas and how the UM System is addressing these, the gaps, and the best approach to drive change and improve compliance.

Data Management Program

This is a priority area because protecting sensitive information is important to our business, faculty, staff, students, and patients. Safeguarding of sensitive information is impacted by multiple regulations, such as Gramm-Leach-Bliley Act (GLBA), Family Educational Rights and Privacy Act (FERPA), Health Insurance Portability and Accountability Act (HIPAA), General Data Protection Regulation (GDPR), and the California Consumer Privacy Act (CCPA).

This assessment work will allow us to establish an overall data management program that will encompass the most stringent regulations applicable to the UM System and continue to build on collaborative relationships to extend expertise across the system. We will develop an understanding of:

- How we ensure compliance with each regulation
- The regulatory change management process

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- Similarities and differences in operating practices across the system and opportunities for standardization
- Opportunities to provide consistent compliance education and training for those staff with responsibilities in these areas
- Benchmarks and metrics that will provide insight into effectiveness and areas for improvement

Status: A team of auditors will begin the data management gap analysis in February.

Fostering Early Reporting of Issues, Prompt and Fair Resolution and a Non-Retaliatory Environment

The early reporting of issues is the best defense against a “bad actor” continuing his/her damaging behavior for years. To instill this type of culture, employees must feel safe and protected from non-retaliation and issues investigated promptly and fairly.

The UM System has multiple reporting avenues available. Bringing together the professionals that field concerns and reports, conduct the investigations and provide guidance on discipline we can:

- Assess our current approaches and identify opportunities to strengthen our culture to safeguard against retaliation, develop trust and encourage reporting of issues
- Ensure we have a strong and effective retaliation prevention and response system
- Discuss how to engage managers in supporting staff who voice concerns
- Develop metrics and reporting that provides transparency into the number of reported concerns, types and substantiation rate for leadership and the Audit, Compliance and Ethics Committee of the Board.

Status: The Hotline Investigation Committee continues to escalate issues for evaluation and resolution that do not violate policy or regulations, but are concerning from a behavioral and culture perspective.

Additional Work Involving Ethics and Compliance

Protection of Minors on Campus

To protect minor children (under the age of eighteen) who participate in activities and programs on university land and facilities, or under the authority and direction of the university, the University of Missouri System developed a Policy for Minors in University of Missouri programs and the infrastructure necessary to support implementation of this policy.

The policy establishes requirements for faculty, staff, students, student employees, appointees and volunteers who work in activities and programs with minors when

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conducting youth programs sponsored by or on the premises of the University of Missouri to:

- Register youth programs through the Youth Program Registry
- Require and secure appropriate background checks
- Ensure annual training is completed so adults and youth leaders working with minors understand appropriate conduct and reporting requirements

The elements of this program have been developed by a committee consisting of the Office of the General Counsel, Risk Management, UM System Title IX/Equity, DoIT, and UM System Ethics, Compliance and Audit Services. Input was obtained from IFC, Athletics departments at all four universities and Extension 4H.

The Youth Program Registry developed by DoIT automates registration, background check requests and tracking, and annual training completion rates. The system has reporting capabilities as well.

Status: Presented to the Council of Chancellors February 1, 2020 to determine the accountability structure.

UM System Enterprise Risk Tracker

The purpose of the enterprise risk tracker is to capture, and assign accountability for issues identified in individual audits that require resolution at a higher level than the area in which the issue was surfaced. This is a new tool for escalation of these enterprise issues to leadership so appropriate accountability can be assigned. Resolution of these issues are typically a longer time horizon than audit issues resolved by the unit.

1. Disaster Recovery/Business Continuity (DR/BC) This is an essential function for any business. It is often set aside when resources are needed for more immediate operational concerns. DR/BC plans have dependencies across departments and functions within an organization, requiring a coordinated approach and leadership input as to risk tolerance, expected time frames for full recovery, etc.

Engagement Identifying the Risk: MU Data Center Audit, September 10, 2020

Accountable position: Director of Emergency Management, UM System

2. Conflict of Commitment Guidance The university lacks documented guidance for how much time faculty may spend on outside ventures and other personal activities that may detract from his or her primary responsibility to the institution. Clearer guardrails would facilitate more consistent evaluation of potential conflicts of commitment and provide guidance upfront for faculty and supervisors.

Engagement Identifying the Risk: MU Conflict of Interest Process, August 14, 2020

Accountable position: TBD Assessment of current activities to develop guidance is still in process.

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University of Missouri System

Board of Curators

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Audit Committee

Internal Audit, Compliance and Ethics Report
UM



Continued Strategic Alignment of Audit & Compliance Plans

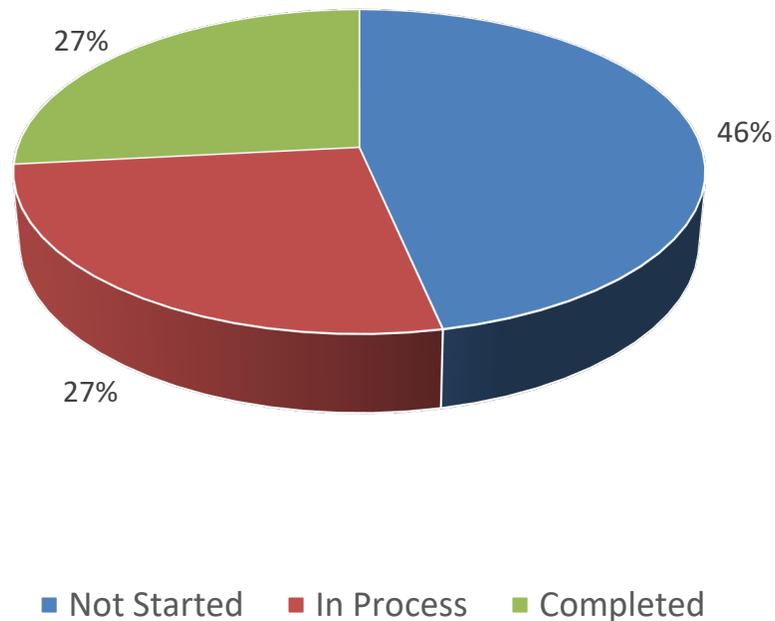
Stay focused on high risk areas and compliance gaps

Remain available to be redeployed for:

- Gap analysis
- Understanding workflow
- Assisting in re-engineering processes

Summary of Internal Audit Activity

FY2021 Audit Plan Status



Since September 2020:

- Completed five internal audits and six investigations
- Finalizing two internal audit reports
- Five internal audits and one consulting engagement in process
- Actively working two investigations

Conflict of Interest Process MU



Summary Observations

1. Establishment and monitoring of oversight management plans is behind and not fully aligned with those who have authority to ensure compliance.
2. New outside interests are not always disclosed at the point they arise

Management Actions

1. Development and oversight of management action plans are now the responsibility of supervisors with assistance from subject matter experts
2. Oversight management plans will be implemented at the front-end of high risk research engagements
3. Annual conflicts of interest and commitment will be part of mandatory compliance and new hire training

Data Center Operations MU



Summary Observations

1. Outdated disaster recovery/business continuity plans
2. Opportunity to update and improve policies, procedures and significant operational events

Management Actions

1. Disaster recovery/business continuity will be addressed at the system level
2. Management will document critical equipment, systems change and maintenance activities, and review and update all policies and procedures

UM System Ethics and Compliance Program

System-wide Audit & Compliance Committee

- Work in process to establish this committee by April 2021

Code of Conduct Development

- Graphic design for MU developed and draft content for all universities will be vetted with subject matter experts, faculty and staff beginning in February
- The graphic design will be adapted to each university
- On target for implementation by end of summer 2021

UM System Ethics and Compliance Program

Protection of Minors on Campus

- Recommendations for final program design and structure presented to the Council of Chancellors on February 1, 2021
- The youth program registry automates registration, background check requests and tracking, and annual training completion rates. The system has reporting capabilities

Questions?