

Internal Audit and Consulting Quarterly Report  
UM  
February 2019

**Status of the FY2019 Annual Audit Plan**

FY2019 Audit Plan Changes since the September 2018 Board of Curators Meeting

<b>Audits</b>	<b>Changes Since Last Meeting</b>
Approved Internal Audit Plan	54
+ Additions to the Plan	3
1. Attorney Client Privilege Investigation (Reported as added Sep 2018 In process)	
2. Buchanan County Extension Consulting Engagement (Reported as added Sep 2018, Completed)	
3. S&T Rock Mechanics Center Investigation (Reported as added Feb 2019, In process)	
+ Audits from FY2018	11
Adjusted Total	68

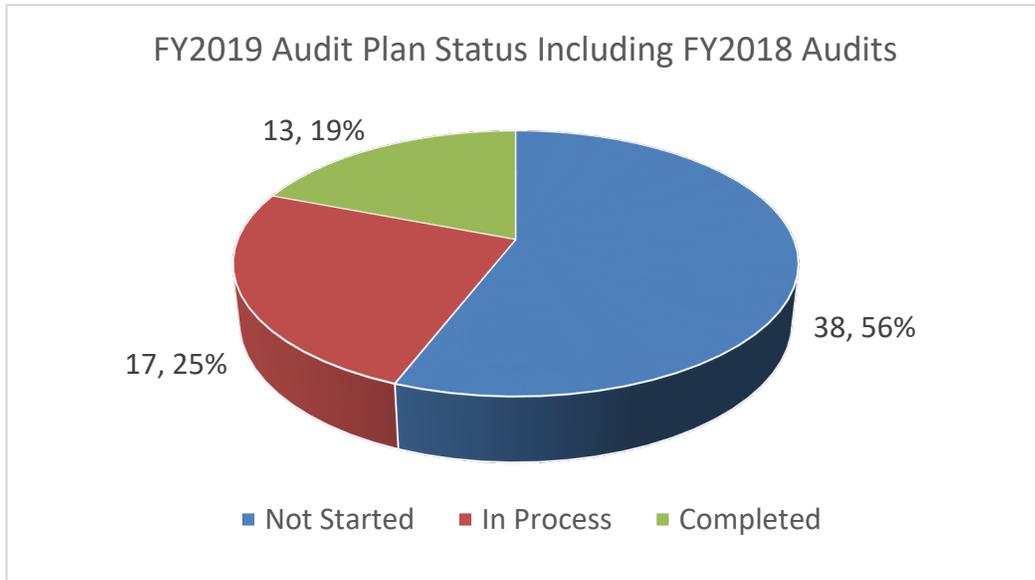
Status of the remaining audits from the FY2018 Audit Plan:

- Ten audits completed
- One audit in process

Status of audits from the FY2019 Audit Plan

- Three audits completed
- Seventeen audits in process
- Thirty-eight audits not started

The following graph represents the combined status of both the FY2018 remaining audits and the FY2019 Audit Plan.



**Audit Performance**

Internal Audit completed and issued five assurance reports since the September 2018 meeting of the Board of Curators.

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

<b>Internal Audit Assurance Reports</b>	<b>Report Risk Rating</b>
Controlled Substance Diversion Prevention, MU Health, August 2018	1 2 3 4 5
University Bank Accounts, UM System, July 2018	1 2 3 4 5
External Student-Funded Accounts, UM System, October 2018	1 2 3 4 5
Cash Handling, UM System, August 2018	1 2 3 4 5
Vendor Master File, UM System, August 2018	1 2 3 4 5

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.

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### 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**  
**MUHC, Controlled Substance Diversion Prevention**  
**August 2018**



**Audit Background**

Drug diversion is the transfer of any legally prescribed controlled substance (CS) from the individual for whom it was prescribed to another person for any illicit use. Healthcare workers who divert drugs for personal use pose a significant threat to patient safety, especially if they are impaired while on the job. Deterioration in clinical performance is usually one of the last signs of a substance use disorder; by the time work performance is affected, the problem is usually well advanced and severe, and significant patient harm may have already occurred.

Healthcare organizations face serious legal, financial, regulatory, and reputational risks as a result of worker diversion and inadequate internal controls. Because diversion can't be stopped entirely, facilities must prevent it to the extent they can, identify cases quickly, and respond appropriately. It is critical that facility diversion prevention efforts focus on early detection of diversion activity through active planning, implementation, and oversight of a formal controlled substance diversion prevention program (CSDPP).

**Issues Summary**

A comprehensive, interdisciplinary drug diversion program provides an effective means of addressing the problem of drug diversion. The four essential components of a program are: education, policies and procedures, implementation and reporting. Current MU Health Care (MUHC) drug diversion prevention activities would benefit from additional organizational coordination, resources and oversight, which should result in better management of risks associated with drug diversion.

**Management Action Plan Summary**

Pharmacy and Nursing services will work to advance and mature existing diversion prevention activities toward the implementation of a robust drug diversion prevention program. Initiatives will include working with interdisciplinary partners to: clarify guidance for reducing operational variability; improve communications with and education of staff; expand oversight and accountability activities; and leverage automated drug cabinet reporting and data analysis capabilities.

**Risk Rating Rationale**

Drug diversion is an inherently high-risk issue in healthcare; organizations face serious financial, regulatory, legal and reputational risks resulting from healthcare worker diversion and inadequate controls. Some core elements of a drug diversion prevention program are in place. Growing and maturing those elements into a robust program will require greater interdisciplinary collaboration and accountability for diversion prevention, promotion of a culture of continuous compliance, and leadership oversight and support for continuous improvement.

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**Internal Audit Summary Report  
UM System, University Bank Accounts  
July 2018**



**Audit Background**

Bank accounts using the University of Missouri (UM) name and tax identification number (TIN) are centrally managed through the Treasury Office with transactions flowing through the general ledger and reconciled by the Controller's Office. These processes reduce the risk of misappropriation of cash funds.

**Issues Summary**

1. Four unauthorized bank accounts were found and have since been closed.
2. Three accounts were identified using the UM System's TIN that are not reconciled by UM System Controller's Office.

**Management Action Plan Summary**

1. The Treasurer's Office will perform periodic searches for unauthorized accounts at banks with which the UM System does business.
2. The three accounts opened with the UM System's TIN are being closed, and UMKC will ensure appropriate oversight over the financial activity related to the management of rental property.

**Report Risk Rating Rationale:**

With recent changes to Federal banking regulations making it more difficult to open a bank account of a public company, the safeguards in place for opening and managing a bank account within the UM System, and restrictions on the use of checking accounts, this is a low risk area.

**Internal Audit Summary Report**  
**UM System, External Student-Funded Accounts**  
**October 2018**



**Audit Background**

Recognized Student Organizations (RSOs) are clubs or organizations that operate in affiliation with a University. RSOs are governed by the respective offices of Student Affairs. The two basic types of accounts these organizations can use for operations are either University funded or non-University funded. University-funded accounts are processed through each campus' general ledger (GL), and ultimate control over the funds falls to the campus. Student-funded accounts are governed differently depending on the campus. Student funded accounts at MU are held in external bank accounts, and the fiscal responsibility over the accounts belong to the students. The University has no control over the funds. At Missouri S&T, UMKC, and UMSL, student-funded accounts are generally managed through the campus financial expensing processes and processed through the campus' GL.

**Issues Summary**

1. All MU student-funded accounts are held in external bank accounts, and are managed by the students. Faculty and staff signers on these accounts are not known by the Office of Student Affairs. Because the Office of Student Affairs staff does not have access to external bank account information, the University is not able to monitor expenditures by the faculty and staff for appropriateness.
2. No issues were found at Missouri S&T, UMKC and UMSL.

**Management Action Plan Summary**

MU student-funded accounts will be reorganized and controlled based on risk. Training will be provided yearly and advisors will sign formal agreements acknowledging their roles and responsibilities.

**Risk Rating Rationale**

The inability to monitor expenditures from student accounts by MU faculty and staff makes it difficult to timely identify potential misappropriations. Misappropriations could result in reputational harm; therefore, this area has a moderate risk.

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**Internal Audit Summary Report  
UM System, Cash Handling  
August 2018**

**Report Risk Rating:**



**Audit Background**

Cash Handling refers to the receiving, recording, deposit, and control of revenues and receivables received as currency, coin, check, and money orders. Currency, defined as dollars and coins, is most easily misappropriated, particularly when controls are lacking or achieving segregation of duties is challenging.

**Issues Summary**

1. Of the sixteen departments evaluated, the University of Missouri St. Louis (UMSL) Child Development Center accepts the most cash and has issues with segregation of duties, timely deposits, issuing of receipts and reconciliations.
2. Thirteen of sixteen departments evaluated have the opportunity to improve cash handling practices, particularly in the areas of segregation of duties, immediate restrictive endorsement of checks, secure transport, and timely deposits.

**Management Action Plan Summary**

1. The UMSL Child Development Center will develop a new cash handling and deposit process for daily deposits, which includes segregation of duties, relocating deposit processing to a lockable office, and management reconciliation and approval.
2. The UM system is reducing risk to cash collections through the implementation of a variety of electronic solutions including E-Commerce Marketplace and PeopleSoft Accounts Receivable/Billing. This will shift departmental cash collections to electronic processes and move billing payments to an external lockbox. The Campus Divisions of Finance will work together to develop and communicate a “how to collect for goods and services” guide and rationalize the need for remaining cash operations with the deployment of new electronic billing/payment collection systems.
3. Each campus division of Finance will identify and work with areas that need to improve cash handling controls to bridge the time prior to the implementation of E-Commerce Marketplace in these departments.

**Risk Rating Rationale**

Based on work performed, the safeguarding of cash manually collected in departments can be improved, but loss of assets in these departments would be relatively immaterial in terms of financial impact. The biggest impact would be reputational.

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**Internal Audit Summary Report  
UM System, Vendor Master File  
August 2018**



**Audit Background**

In December 2017, Internal Audit conducted follow-up work related to the University of Missouri Extension Southwest Research Center audit and found some evidence that controls over the vendor master file need improvement. This audit is intended to provide assurance that controls over the vendor master file are sufficient and effective, and it will serve as the scheduled FY18 audit of UM System Procurement. Specific audit objectives include:

- Ensuring that vendors are legitimate, unique and correct;
- Verifying that duties related to maintaining the vendor master file are adequately segregated;
- Evaluating whether the vendor master file is effectively managed and monitored.

**Issues Summary**

Generally, supplier information in the database is complete, and the University has an effective process for verifying that suppliers are not on federal debarment or sanctioned providers lists. However, the University does not have a standard process for ensuring that suppliers are legitimate, or for identifying and removing duplicate or stale vendors. Also, management does not regularly monitor the supplier database.

**Management Action Plan Summary**

To maximize process efficiency and minimize risk, UM System management will:

1. Develop one process to secure all required information from each vendor, enter all vendor information using a standard format, and verify that all vendor data has been entered accurately. Management will assign accountability for ensuring that this process is being followed consistently.
2. Determine appropriate guidelines for what constitutes a stale supplier, then develop a process for reviewing and archiving those suppliers on a regular basis.

The Controller's Office also will identify new ways to implement more data-driven and risk-based monitoring tools for financial transactions, to establish a process to conduct regular monitoring of the vendor master file, and to correct the deficiencies identified in previous audits.

**Risk Rating Rationale**

The University has experienced fraudulent activity due to control weaknesses around vendor master file management. Many of these weaknesses have been addressed with new processes, but some are still evident. Also, several previous audit recommendations related to improving monitoring of the vendor master file have not been implemented.

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In addition, the Office of Internal Audit and Consulting Services completed two consulting engagement.

Engagement Name	Description and Results
Buchanan County Extension Council Consulting Engagement	This work addressed concerns of the Council and provided recommendations to more closely align accounts with operations, recommendations to release restricted funds based on research of account history, and recommendations to facilitate Council understanding of financial activities through changes to reports.
Digital Accessibility GAP Analysis	The objective of this engagement was to provide the Digital Accessibility Advisory Board of the University of Missouri with a current snapshot of existing risks and “protective factors” related to the environment for peoples with disabilities in our physical and digital worlds. This risk assessment provides leadership the necessary information to strategically plan to mitigate digital accessibility risks and prioritize use of resources in the most targeted and efficient ways possible.