

Internal Audit and Consulting Annual Report  
UM

Internal Audit and Consulting Services (IACS) completed 22 projects from the fiscal year 2019 Plan with another 16 in process. The Annual Audit Plan is dynamic as IACS continues adapting to emerging concerns and priorities throughout the year. The schedule and graph below illustrates the final changes to the FY 2019 annual audit plan.

The FY 2020 Internal Audit Plan and Risk Assessment Report discusses moving towards a continuous risk assessment process. Once this is in place IACS recommends shifting from a fiscal year annual plan to a rolling audit plan. This provides the opportunity to move audits up in priority as resources, events, emerging issues or management concerns change. Noted below are the number of audits from the FY 2019 plan recommended to be included on a rolling audit plan.

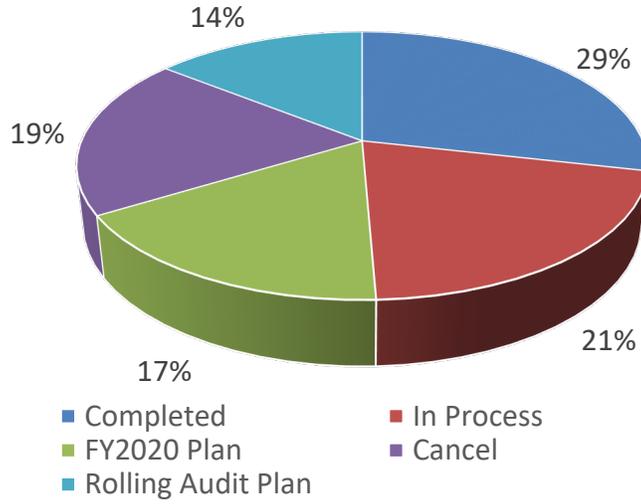
**Final Status of the FY 2019 Annual Audit Plan**

	<b>Number of Audits</b>
<b>Approved Internal Audit Plan (includes 11 audits brought forward from the FY 2018 Plan)</b>	<b>65</b>
+Additions to Plan the plan throughout FY2019	12
-Audits recommended for cancellation*	-15
-Audits recommend on the FY2020 Plan	-13
-Audits on the rolling audit plan for future consideration*	-11
<b>FY 2019 Completed and In Process Projects</b>	<b>38</b>

\*See FY2019 Risk Assessment and Internal Audit Plan for detail

Below is a graphical illustration of the FY 2019 Audit Plan final status.

Final Status of the FY 2019 Audit Plan



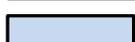
The table below details the completed and in process internal audit projects by unit.

Unit	Assurance Projects	Consulting Projects	Investigations	Total
UM System	7	2	1	11
MU	3	2	5	10
MU Health	6	1	2	9
UMKC	3	0	1	4
Missouri S&T	1	0	1	2
UMSL	3	0	0	3
<b>Total</b>	<b>23</b>	<b>5</b>	<b>10</b>	<b>38</b>

An experienced investigator with a certified fraud examiner certification began work in April 2019 in IACS. The quality of investigations and Internal Audit’s capacity to address this important need for the UM System have improved with the addition of this skill set.

**Completed Audit & Consulting Engagements by Risk Area (Investigations excluded)**

<b>Audit Engagement</b>	<b>Finance</b>	<b>Compliance</b>	<b>Operations</b>	<b>Grants Management</b>
One Card Project*	X			
Student Bank Accounts*	X			
University Bank Accounts*	X			
Cash Handling*	X		X	
Controlled Substance Diversion		X		
Digital Accessibility GAP Analysis		X		
HIPAA Project Management – Business Associate Agreements		X		
HIPAA UMKC Dental School		X		
UMSL Arts & Sciences Children’s Service Funds				X
Buchanan County Extension	X		X	X
School of Medicine Department of Surgery	X		X	X
Vendor Master File	X	X	X	
UMSL College of Arts & Sciences	X			
Institute for Human Development	X		X	X

 Indicates a consulting engagement

\*Indicates audits performed in more than one location

The audits currently in process address reputational and environmental health and safety risk areas in addition to the risk areas for completed engagements.

Additional Support Provided by IACS

- The MU Finance Division has developed FaCTS (Financial Competency Training Series), an innovative approach to educating employees about fiscal responsibilities. Sonja Erickson, Lori Rowlett and Jeremy Lynch provide part of this training.
- Deb Till and Shawn Hogan staff and support the Integrity and Accountability Hotline.
- Sonja Erickson provided support to the Association of College and University Auditors by serving as editor for its professional journal.
- Michelle Piranio provided support to the Association of Healthcare Internal Auditors by serving on the Planning Committee for its national conference.

**Audit Completion since the April 2019 Board of Curator’s Meeting**

Listed below are the internal audit assurance reports issued since the April 2019 meeting of the Board of Curators. An executive summary of the audits is included for your information.

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. The full audit reports are available upon request from the Office of Internal Audit and Consulting Services.

Internal Audit Assurance Reports	Report Risk Rating
Institute for Human Development, UMKC February 2019	

The reports include an executive summary including our assessed level of risk, as well as a summary of issues and management's action plan. The following page contains the criteria used for the assessment of risk.

In addition, the Office of Internal Audit and Consulting Services completed the Risk Assessment and FY 2020 Audit Plan Development work, a consulting engagement for UMMSL’s College of Arts & Sciences and five investigations.

### 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**  
**UMKC Institute for Human Development**  
**February 2019**



**Background**

The Institute for Human Development (IHD) at the University of Missouri – Kansas City (UMKC) was founded in the 1970s as the UMKC Institute for Community Studies, changing its name to IHD in 1985 to reflect its increasing focus on supporting community-based programs for people with developmental disabilities. IHD is one of 67 national University Centers for Excellence on Developmental Disabilities (UCEDD). The stated mission of IHD is to improve the quality of life for those with developmental disabilities by promoting high quality and effective community-based services and individualized supports for persons with developmental disabilities and their families, and by focusing on community inclusion through diversity, cultural competency and social capital.

To meet this mission, IHD administers training, demonstration, and research activities. The Director of IHD reports directly to the Vice-Chancellor for Research and Economic Development. The former Director of IHD worked at IHD for more than 30 years prior to leaving in August, 2018. An interim director has been appointed.

The current structure of IHD includes a Director of Information Dissemination, four associate directors, and approximately 38 full-time and 15 part-time staff members. In FY2018, IHD received 3.7 million dollars in grant funds, with additional revenue coming from contracts (\$230,000) and University general allocation funds (\$330,000). As of September, 2018, 40 active grants were funding the majority of IHD activities. In preparation for the transition to a new director, UMKC’s previous Vice Chancellor for Research and Economic Development requested an audit of IHD’s financial practices.

**Issues Summary**

Financial processes at IHD are redundant and inefficient, and controls (activities to mitigate risk) are defective in design and operation. Understanding the financial condition of the Center is difficult with the current procedures. IHD is unable to verify the accuracy of program income and does not have adequate documentation to support its payroll. Processes for approving, documenting, and monitoring expenditures are ineffective and involve significant duplication of effort. Currently IHD lacks centralized information and communication across functional work “siloes,” which contributes to several of the issues identified in this audit. Building processes which bridge these gaps will improve the efficiency and effectiveness of IHD’s financial operations.

**Management Action Plan Summary**

Together with IHD leadership the Vice Chancellor of Finance will hire a dedicated fiscal officer. This position will report to Finance through its shared service model. There will be an indirect reporting relationship to IHD. This fiscal officer will be responsible for redesigning the financial function within IHD to streamline processes, eliminate redundancy, improve effectiveness and reduce the risk of fraud, misappropriations, loss of funds and loss of revenues.

June 20-21, 2019

### Audits Currently in Process

<b>Audit Area</b>	<b>Overall Objective</b>	<b>Status</b>	<b>Risk Area(s)</b>
Social Media audits at the system and four campuses	Provide assurance that each unit's social media strategy positions the organization to manage the message and the story to the public.	Fieldwork	Reputational
MU Health – Physician contracts	Review of processes to ensure compliance with regulations and operational efficiencies.	Planning	Compliance, Operations
MU Health Cardiology PACS System	Security review of the system.	Fieldwork	IT Security
MU Health Medical Staff Credentialing and Privileging	Evaluate the integrity and effectiveness of systems and processes intended to ensure that only qualified physicians are admitted to and remain on MUHC medical staff, and that they practice within their scope of experience and competence.	Reporting	Compliance
MU Health Revenue Cycle Implementation	Review of risk factors impacting testing schedule and implementation date.	Planning	Finance, Operations
MU Grant Effort Reporting	Provide assurance that internal controls related to grant effort verification are adequate to comply with federal Uniform Guidance requirements.	Fieldwork	Compliance
MU Lab Safety	Assessment of hazardous chemical use and compliance with regulations.	Planning	Environmental Health & Safety
One Card Approval Process	Evaluation of the One Card Process from issuing cards, through approvals and monitoring to provide assurance of controls and any opportunities for improvement.	Fieldwork	Finance, Operations

In addition, we are actively working five investigations.

June 20-21, 2019

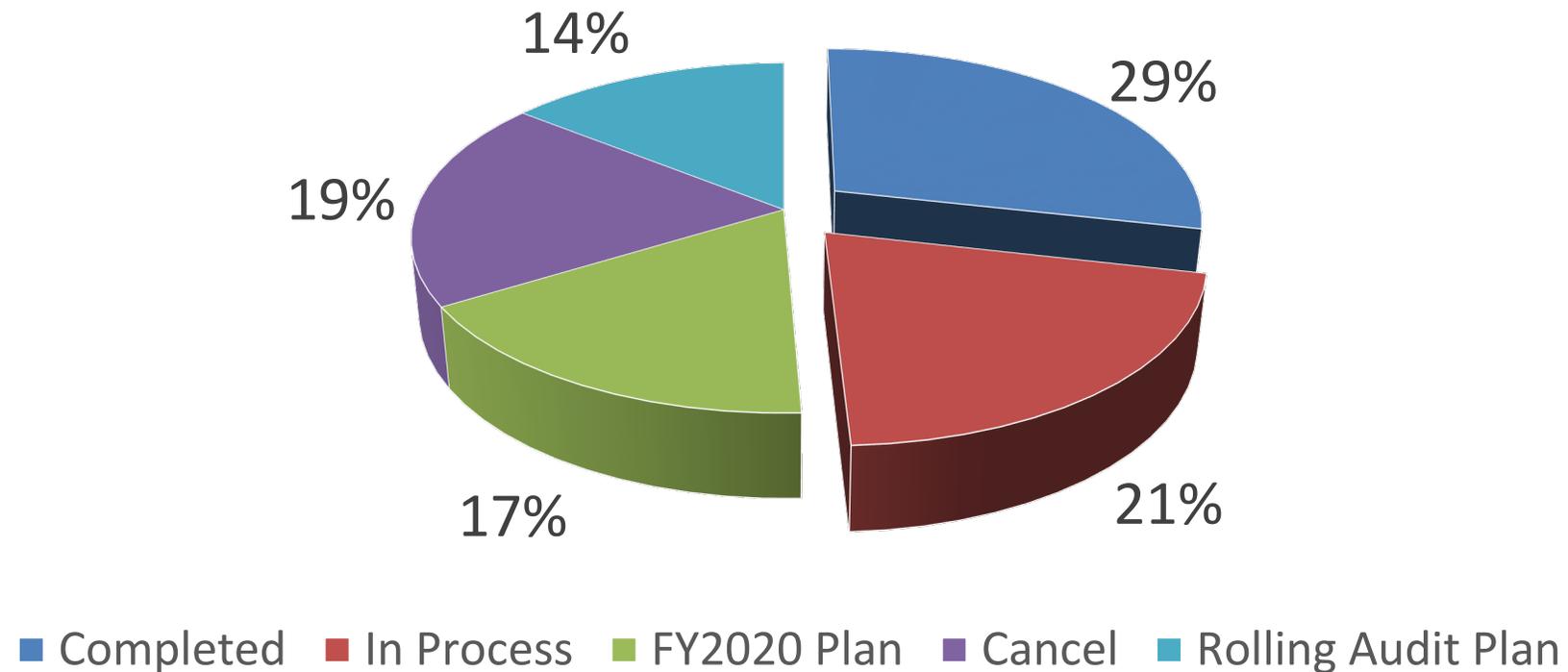
# University of Missouri System Board of Curators

June 20, 2019  
Audit Committee

Internal Audit and Consulting Annual Report  
UM



# Final Status of the FY2019 Plan



## Coverage by Unit and Audit Type

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Total	23	5	10	38

# Summary of Audit Activity

## Since the April 2019 Audit Committee Meeting

- Completed one internal audit, two consulting engagements and five investigations
- Finalizing one audit report
- Completing fieldwork for four audits
- Planning in process for three audits
- Actively work five investigations



## ■ Summary Observation

Financial processes at the IHD are redundant and inefficient, with controls that are defective in design and operation. This exposes IHD to the risk of grant non-compliance and results in an inability to understand the financial condition of the Institute.

## ■ Management Actions

IHD leadership and the Vice Chancellor of Finance will hire a dedicated fiscal officer that will report to Finance through its shared service model with an indirect reporting relationship to IHD. This fiscal officer will redesign the financial function within IHD to streamline processes, eliminate redundancy, improve effectiveness and reduce the risk of fraud, misappropriations, loss of funds and loss of revenues.



# University of Missouri System

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