Listed below are the internal audit reports that were issued since the April 2015 meeting of the Board of Curators. A summary of action items by category and an executive summary of the audits are included for your information.

PricewaterhouseCoopers LLP (PwC) will be presenting a summary overview of the audits and will be available to answer questions. The date indicated on each audit is the date when the audit report was issued. There is a time-lag between when field work is completed and when a report is issued in order to provide appropriate time for audit recommendations and the corresponding management responses to be written. The full audit reports are available upon request from the Office of the Vice President for Finance and Chief Financial Officer.

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<th>Observations by Risk</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
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<td>1. Charge Master Review, MUHC and University Physicians</td>
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<td>2. School of Computing and Engineering, UMKC</td>
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<td>3. School of Journalism, MU</td>
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<td>4. Accounts Payable Shared Service, System-wide</td>
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<td>5. Department of Ophthalmology, MUHS</td>
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<td><strong>Total</strong></td>
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The reports include our findings and assessed level of risk, as well as management's remediation plan for the findings. Below is the criteria used for the assessment of risk.

**Assessment of Risk:**

**High (H)** – Significant impact to the Institution, campus, or unit. Individually or aggregate material in terms of financial impact, external compliance violation, adverse publicity, significant or pervasive weakness in control environment, significant inefficiencies, etc.

**Medium (M)** – Moderate in terms of impact to the Institution, campus, or unit. Individual instance or an aggregate of low risk items considered moderate terms of financial impact, compliance violation, adverse publicity, weakness in control environment, efficiency, etc.

**Low (L)** – Low 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.
Background:
The fiscal year 2015 University of Missouri Health System (MUHS) Internal Audit Plan included an assessment of the University of Missouri Health Care (MUHC) and University Physicians (UP) Charge Description Master (CDM) files.

A CDM is a comprehensive listing of all medical services, procedures, supplies, and drugs billable to an organization’s patients or their third party payers. The primary purpose of a CDM is to provide the standardized catalogue of chargeable items during a patient’s episode of care. Within MUHS, UP Managed Care is responsible for maintaining the UP CDM for physician charges, while MUHC Revenue Management manages the CDM used for hospital patient charges. Both CDM’s are integral to the financial viability of MUHS, as they serve as critical components of both the revenue cycle and overall operations.

Scope and Approach:
The scope of work included an assessment of the governance structure and related operations with respect to the MUHC and UP CDM’s. Procedures focused on relevant processes and key internal controls to analyze the efficiency and effectiveness of operations.

Audit Results:
Based upon the results of the testing procedures performed, CDM policies and procedures at MUHC and UP generally appear consistent with successful practices utilized by other organizations. The governance structure is defined and ownership of key CDM tasks has been clearly assigned. Three low risk observations were noted as opportunities to enhance current policies and procedures to be in further alignment with industry leading practices.
Background:
The fiscal year 2015 Internal Audit Plan included an assessment of the University of Missouri – Kansas City (UMKC) School of Computing and Engineering (School). In 2001, the School was formed by combining the MU based Cooperative Undergraduate Engineering Program with the UMKC Computer Science Telecommunications Program. The School has two degree-granting departments: the Department of Civil and Mechanical Engineering and the Department of Computer Science and Electrical Engineering.

The School’s vision is to provide students with exceptional educational, research and extracurricular experiences within computing and engineering. The School has experienced significant growth in recent years, increasing enrollment from 780 students in 2008 to more than 1,700 students in 2015.

Total School revenues from all sources were approximately $9.6 million for fiscal years 2013 and 2014. Expenditures decreased from $10.6 million in fiscal year 2013 to $10.5 million in fiscal year 2014. The School has made historical decisions to invest in and grow the School of Computing and Engineering’s enrollment and brand. These decisions and subsequent increase in enrollment are a primary factor in the deficit during the previous two fiscal years.

Scope and Approach:
The scope of work included activity occurring during fiscal years 2013, 2014 and fiscal year 2015 through December 31, 2014. Procedures focused on relevant processes and key internal controls to analyze the efficiency and effectiveness of operations and to assess compliance with University and School policies and procedures.

Key Highlight:

- **Implement procedures to increase knowledge of key fiscal processes in the School.**
  A single employee within the School is responsible for performing financial duties typically executed by two or more individuals, contributing to segregation of duties issues, causing workload concerns and potentially leading to problems if and when future periods of transition occur. Documenting fiscal processes and cross training other School employees should increase awareness for current staff and also serve as a baseline of knowledge for future staff. (M)
Background:
The Fiscal Year 2015 University of Missouri System Internal Audit Plan included an audit of the School of Journalism (School) at the University of Missouri – Columbia (MU).

The School, recently ranked the No. 1 journalism school in the country by the News Pro-Radio Television Digital News Association, provides academic education and practical training in all areas of journalism and strategic communication to approximately 1,800 students through a combination of media outlets across several mediums. The School’s mission is to continue to lead the way in education for the next generation of preeminent journalists.

The School had approximately $44.6 million in revenues and $26 million in expenditures for fiscal year 2013. Revenues rose to approximately $57.8 and $28.6 in expenditures for fiscal year 2014. The increase in revenue is due to an increase in restricted gifts and endowments.

Scope and Approach:
The scope of work included activity occurring in fiscal years 2013, 2014 and fiscal year 2015 through December 31, 2014. Procedures focused on relevant processes and key internal controls to analyze the efficiency and effectiveness of operations and to assess compliance with University policies and procedures.

Key Highlights:

- **Improve the current fiscal governance structure of the School.**
  The School’s fiscal governance structure could be improved to gain efficiencies and better address risks. Instituting a more formal reporting relationship between individuals with fiscal duties and tying the School’s strategic and five-year budget forecast together should allow for a more transparent environment that provides a more consistent foundation for decision making. Further, increasing the threshold for purchases requiring Dean approval would free up the Dean to focus on other strategic initiatives while also delegating increased responsibility to the Business Manager. (M)

- **Enhance budget preparation and monitoring processes.**
  A single individual in the School is primarily responsible for preparing the annual budget and monitoring it throughout the year for the entire School, which creates a burden on that individual and misses an opportunity to gain buy-in on the budget from others throughout the School. Establishing formalized monitoring procedures and involving additional individuals in the process will assist in managing the School’s funds, increase transparency and assist in creating an environment in which accountability and fiscal responsibility are at the forefront. (M)
Background:
The fiscal year 2015 University of Missouri Internal Audit Plan included an assessment of the Accounts Payable Shared Services Center (APSS or Center) throughout the University of Missouri System (System or UM System).

APSS was established as part of the UM System Operational Excellence Initiative, which includes shared service principles. The Center’s goal is to streamline and standardize the processing of AP transactions across the System through staff specialization and increased use of electronic workflows. Per APSS calculations, implementation of the Center has resulted in a 38% savings on costs associated with processing invoices, as of FY 2015. Moving forward, savings are expected to increase as the Center becomes more efficient.

The transition to APSS began in July 2013, with staggered transitions across campuses and transaction types. As of July 1, 2014, AP processing was fully centralized in APSS. APSS is governed by an AP Shared Services Governing Board, consisting of the campus Accounting Directors and representatives from UM System Finance. A Service Level Agreement with quantified service expectations has also been established to measure the Center’s performance.

Scope and Approach:
The scope of work included a review of APSS. Procedures focused on relevant processes and key internal controls to analyze the efficiency and effectiveness of operations and compliance with established University policies.

Key Highlights:

- **Evaluate the current metrics in the APSS Service Level Agreement.**
  The Center should evaluate the Service Level Agreement that exists between APSS and the campuses. Current metrics should be reviewed for appropriateness and new key performance metrics should be considered to ensure metrics being monitored promote efficient and effective performance. In addition, management should ensure reporting capabilities are established for all metrics utilized, enabling enhanced oversight that could aid in future improvements. (M)

- **Enhance communication between the Center and campuses.**
  Formal communication between the Center and Colleges, Schools, Divisions and Departments throughout the System should be enhanced. The Center and campus representatives should distribute key information to appropriate campus stakeholders. Providing additional clarity and information to personnel at campuses will allow for an improved understanding of the Center’s operations and will increase transparency around current and future expectations. (M)
Internal Audit Summary Report
MUHS Department of Ophthalmology
Report Date: June 8, 2015

Background:
The Fiscal Year 2015 University of Missouri Health System (MUHS) Internal Audit Plan included an assessment of the Department of Ophthalmology (Department or Ophthalmology) within the MU School of Medicine.

The Department strives to develop Ophthalmologists who can provide quality eye care and meet the need of patients both now and in the future. Eye care services offered by Ophthalmology include: refractive surgery, cataract surgery, macular degeneration, retinal disease, corneal transplantation, glaucoma, ocular oncology, neuro-ophthalmology, plastic surgery, children’s eye care, low vision, trauma and treatment for several different eye diseases.

During fiscal year 2014, the Department had approximately $6.8 million in revenues and $6.7 million in expenditures. Ophthalmology has approximately 32,000 patient visits per year.

Scope and Approach:
The scope of work included activity occurring during fiscal year 2014 and fiscal year 2015 through January 31, 2015. Procedures focused on relevant processes and key internal controls to analyze the efficiency and effectiveness of operations and to assess compliance with University and School policies and procedures.

Key Highlights:

➢ Ensure compliance with University incentive compensation policies.
The Department does not have documented guidelines in place related to incentive compensation which is not compliant with policy. Per Collected Rules and Regulations Section 360.150, incentive compensation plans should be clearly defined and include a description of each component. The department’s incentive compensation has not been subject to a single individual’s discretion; however it is still important to ensure compliance with compensation policies. (M)

➢ Enhance fiscal monitoring procedures throughout the Department.
The Department should improve monitoring of the overall budget, grant and restricted gift funds and optical shop activity. Due to recent employee turnover, these areas have not received consistent focus. Continuing to evaluate and enhance monitoring procedures will allow for increased oversight of Department fiscal activity and could reduce the risk of inappropriate transactions. (M)

➢ Improve inventory practices for the Department’s optical shops.
Inventory at the Department’s two optical shops has not been formally tracked and was manually counted once per year. Although steps have been taken to improve inventory tracking procedures, additional inventory controls are needed to better safeguard Department assets and facilitate more accurate inventory records. It can also lead to better reporting capabilities and assist in decision-making. (M)
- **Enhance administrative processes to better support future growth.**
  Administrative processes, specifically related to the documentation of policies and procedures and the allocation of responsibilities, could be improved within the Department. Taking steps to improve administrative processes will help the Department gain efficiencies. (M)

- **Evaluate transferring internal billing from the Department to University Physicians.**
  The Department currently has four employees who perform billing procedures for services rendered in the Mason Eye Institute. Ophthalmology is one of the only areas within the School of Medicine that has internal billing staff, as many have transferred their billing procedures to University Physicians (UP). The Department has the potential to realize cost savings and gain economies of scale if billing was transferred to UP. (M)
Internal Audit Summary Report
UM System-wide Hyperion Post Implementation Review
Report Date: June 1, 2015

**Background:**
The fiscal year 2015 Internal Audit Plan included a post-implementation review of the Hyperion Budgeting System (Hyperion) at University of Missouri System (UM or University). Hyperion uses technologies, processes and applications to analyze data and business processes.

UM recently implemented Hyperion Planning throughout the System and now has approximately 482 end-users utilizing the tool. Within Hyperion Planning, a web-based budget, planning and reporting tool, the University currently utilizes three components: Financial Planning (FINPLN), Salary Planning (SALPLN) and Long Range Planning (LRP).

The University utilizes FINPLN to enter and manage annual operating budgets containing all revenues and operating expenditures (except for salaries and benefits data by position, summary level compensation data is fed to FINPLN from SALPLN). SALPLN is used by the University to enter salaries, benefits and taxes by position for annual operating budgets. LRP is used only by the Columbia campus for specific campus Provost planning needs to plan for up to five years of high level budgets.

**Scope and Approach:**
The scope of work included a post implementation review of the FINPLN and SALPLN components within Hyperion Planning. LRP was not included in scope for this review. The audit focused on assessing associated business processes and information technology controls and configurations.

**Key Highlights:**

- **Implement procedures to spread the technical knowledge currently maintained by a few key employees.**
  Currently, a few key employees at the University retain much of the knowledge with regards to the design and functioning of the Hyperion Planning application. This poses a risk to the University in that if there were issues with the script that loads data into Planning from the data warehouse, only a few employees have the knowledge base to remediate. If any of these employees were to leave the University, data may not be exported to Planning in a timely and accurate manner. Implementing procedures to spread the knowledge will result in increased overall exposure to the design and functioning of the application while minimizing risk to the University if and when employee turnover occurs. (M)

- **Improve monitoring of system administrator activity.**
  Regular monitoring of Hyperion administrator activity should be improved. Currently, there is no process to periodically monitor activity logs for each of these individuals. This presents opportunity that inappropriate or inaccurate changes to system configurations go unnoticed and potentially cause larger issues. Implementing a process to enhance monitoring of all system administrator activity will decrease the risk of unauthorized activity occurring. (M)
University of Missouri System
Board of Curators
June 25-26, 2015
Audit Committee
Internal Audit Quarterly Report
UM
Summary of Internal Audit Activity
Since our April 2015 Report to the Audit Committee

- Completed six internal audits
- Drafted two reports
- Planning/performing fieldwork for three internal audits
Internal Audit Projects Completed
Since our April 2015 Report to the Audit Committee

- Charge Master Review, MUHC and University Physicians
- School of Computing and Engineering, UMKC
- School of Journalism, MU
- Accounts Payable Shared Services, System-wide
- Department of Ophthalmology, MUHS
- Hyperion Post Implementation Review, System-wide

Note – One page summaries and the full reports have been provided in advance to the Committee.
Charge Master Review, MUHC and University Physicians

- Background and Scope
  - A Charge Description Master (CDM) is a catalogue of chargeable items.
  - Two CDM’s within MUHS – University of Missouri Health Care (MUHC) and University Physicians (UP).
  - Assessment of governance structure and related operations.

- Audit Results
  - Policies and procedures at MUHC and UP generally appear consistent with practices utilized by other successful organizations.
  - Governance structure is defined and ownership of key tasks is clearly assigned.
  - Three low risk observations were noted as opportunities to enhance operations.
School of Computing and Engineering, UMKC

- Background and Scope
  - School consists of two departments and 1,700 students
  - Approximately $9.6 million in revenues for FY 2014
  - Scope period: 7/1/12 – 12/31/14

- Key Highlights
  - Implement processes to share knowledge of key fiscal processes
School of Journalism, MU

Background and Scope
- School consists of over 30 undergraduate areas, 20 two year master’s models, two master’s programs and six doctoral models
- Enrollment consists of nearly 1,800 undergraduate students
- Approximately $57.8 million in revenues in FY 2014
- Scope period: 7/1/12 – 12/31/14

Key Highlights
- Improve current fiscal governance structure
- Enhance budget preparation and monitoring

Observations by Risk

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Accounts Payable Shared Services, System-wide

- Background and Scope
  - Part of UM System Operational Excellence Initiative
  - AP processing fully centralized as of 7/1/14
  - APSS processes: PO’s, Non-PO Vouchers, pre- and post-pay audit in the T&E module and vendor creation and maintenance

- Key Highlights
  - Add additional performance metrics
  - Enhance communication between APSS and the campuses
Background and Scope

- The department has 32,000 patient visits annually at two locations.
- Approximately $6.8 million in revenue in FY 2014
- Scope period: 7/1/13 – 1/31/15

Key Highlights

- Comply with incentive compensation policies
- Enhance fiscal monitoring procedures
- Improve inventory practices
- Enhance administrative processes to support growth
- Evaluate transferring internal billing to UP
Hyperion Post Implementation Review, System-wide

- Background and Scope
  - Recently implemented Hyperion Planning
  - Approximately 482 end users
  - Post implementation review of business processes and internal controls

- Key Highlights
  - Spread technical knowledge of core team
  - Enhance monitoring of system administrator activity

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Questions?